

Union Calendar No. 277

100th Congress, 1st Session

S. Rept. No. 100-216

H. Rept. No. 100-433

Report of the Congressional Committees Investigating the

Iran-Contra Affair

Appendix B: Volume 11
Depositions

Daniel K. Inouye, *Chairman*,
Senate Select Committee

Lee H. Hamilton, *Chairman*,
House Select Committee

U.S. Senate Select Committee
On Secret Military Assistance to Iran
And the Nicaraguan Opposition

U.S. House of Representatives
Select Committee to Investigate
Covert Arms Transactions with Iran

November 13, 1987.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed.

November 17, 1987.—Ordered to be printed.

Washington : 1988

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Stenographic Transcript of

HSITS -181 /87

HEARINGS

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SELECT COMMITTEE ON SECRET MILITARY ASSISTANCE
 TO IRAN AND THE NICARAGUAN OPPOSITION

UNITED STATES SENATE

DEPOSITION OF ROBERT M. GATES

Friday, July 31, 1987

Partially Declassified/Released on 24 Jan 88
 under provisions of E.O. 12356
 by K. Johnson, National Security Council

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Washington

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DEPOSITION OF ROBERT M. GATES

Friday, July 31, 1987

United States Senate

Select Committee on Secret

Military Assistance to Iran

and the Nicaraguan Opposition

Washington, D. C.

Deposition of ROBERT M. GATES, called as a

witness by counsel for the Select Committee, at the

offices of the Select Committee, Room SH-901, Hart Senate

Office Building, Washington, D. C., commencing at 1:42

p.m., the witness having been duly sworn by MICHAL ANN

SCHAFER, a Notary Public in and for the District of

Columbia, and the testimony being taken down by Stenomask

by MICHAL ANN SCHAFER and transcribed under her

direction.

Partially Declassified/Released on 24 Nov 88
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by K. Johnson, National Security Council

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1 **APPEARANCES:**

2 On behalf of the Senate Select Committee on Secret
3 Military Assistance to Iran and the Nicaraguan

4 **Opposition:**5 **THE HONORABLE DAVID BOREN**6 **PAUL BARBADORO, ESQ.**7 **TIMOTHY WOODCOCK, ESQ.**8 **TOM POLGAR**

9 On behalf of the Senate Select Committee on

10 **Intelligence:**11 **SVEN HOLMES, Staff Director**

12 On behalf of the House Permanent Select Committee

13 **on Intelligence:**14 **DIANE DORNAN**

15 On behalf of the Central Intelligence Agency:

16 **KATHLEEN MCGINN, ESQ.**17 **JOHN RIZZO, ESQ.****UNCLASSIFIED**

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1	C O N T E N T S		
2	EXAMINATION ON BEHALF OF		
3	WITNESS	SENATE	HOUSE
4	Robert M. Gates		
5	By Mr. Barbadoro	4	
6	By Mr. Woodcock	75	
7	By Ms. Dornan		80
8	By Mr. Barbadoro	82	
9	By Mr. Woodcock	85	
10	E X H I B I T S		
11	GATES EXHIBIT NUMBER	FOR IDENTIFICATION	
12	1	17	
13	2	35	
14	3	40	
15	4	56	
16	5	83	

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1 PROCEEDINGS

2 Whereupon,

3 ROBERT M. GATES,

4 called as a witness by counsel on behalf of the Senate
5 Select Committee and having been duly sworn by the Notary
6 Public, was examined and testified as follows:

7 EXAMINATION

8 BY MR. BARBADORO:

9 Q Mr. Gates, thank you for coming today. As a
10 preliminary matter simply let me note that the Committee
11 has received copies of your testimony on these matters
12 before the Senate Intelligence Committee. We received
13 your testimony before the Tower Board and your testimony
14 at your confirmation hearing. On all three occasions you
15 gave in-depth testimony about your knowledge of the Iran
16 initiative, and it's not my intention to review events
17 that you've already testified about.

18 Rather, I want to ask you primarily about
19 things that we have discovered and issues that have
20 arisen since the time of your testimony. The first area
21 I'd like to go into with you is the statements that
22 Colonel North made about Director Casey's knowledge and
23 agreement with a proposed freestanding, off-the-shelf,
24 privately-financed entity to conduct covert operations on
25 behalf of the U.S. Government.

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1 Let me first ask you did you have an
2 opportunity to see that part of Colonel North's testimony
3 where he described that entity and described what
4 Director Casey's knowledge of that entity was?

5 A I've basically read newspaper accounts of it.
6 I did not see it.

7 Q Let me just read you a portion of Colonel
8 North's testimony so that we will all know what he was
9 talking about during his testimony. Mr. Liman asked him
10 these questions and Colonel North gave these answers,
11 beginning with Mr. Liman.

12 "Do you remember giving testimony about the
13 fact that Director Casey wanted something that he could
14 pull off the shelf and that that is why he was excited
15 about the fact that you were now able to generate some
16 surpluses that could be used?"

17 Mr. North: "That is correct."

18 Mr. Liman: "Why don't you give us a
19 description of what he said or, as you understood it,
20 what he meant by 'pulling something off the shelf'?"

21 Mr. North: "Director Casey had in mind, as I
22 understood it, an overseas entity that was capable of
23 conducting operations or activities of assistance to U.S.
24 foreign policy goals, that was stand-alone."

25 Mr. Liman: "Self-financed?"

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1 Mr. North: "That was self-financing,
2 independent of appropriated monies and capable of
3 conducting activities similar to the ones that we had
4 conducted here. There were other countries that were
5 suggested that might be beneficiaries of that kind of
6 support, other activities, to include counterterrorism."

7 Elsewhere in his testimony Colonel North
8 elaborated on this idea further, but that is a general
9 description of what he claims he was talking with
10 Director Casey about.

11 I want to just ask you did Director Casey ever
12 say anything to you about an entity such as the one that
13 Colonel North described?

14 A No. He never said anything that would have
15 even suggested that he was thinking about such a thing.
16 And I might add that such a notion would have been one
17 that if it had been pursued I would have considered it
18 necessary to resign rather than tolerate.

19 Q I want to get into that issue with you in just
20 a minute, but let me follow up on this a little bit more.
21 To your knowledge, was the creation of such an entity
22 ever discussed by anyone at the Agency?

23 A Not to my knowledge.

24 Q You have mentioned that for you these use of
25 that kind of an entity by the CIA would be a resignation

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1 issue. Could you explain what you mean by that and why
2 you feel that strongly about it?

3 A The idea of U.S. Government officials creating
4 an entity to carry out U.S. policy activities or policy-
5 related activities outside of normal Executive branch
6 procedures, outside of Congressional oversight, with non-
7 appropriated funds would seem to me to be an intolerable
8 and unnecessary activity.

9 Q Do you have questions about the legality of
10 such an entity?

11 A Well, I'm not a lawyer, but I certainly would
12 have questions about its legality. I don't have answers,
13 but I certainly would have questions.

14 Q And apart from the legality of such an
15 operation do you disagree with the prospect of using such
16 an entity for policy reasons?

17 A Yes, because I think it is fundamentally
18 unnecessary.

19 Q Colonel North also described in his testimony
20 the role that he, Colonel North, played in the resupply
21 operation that was conducted to resupply the contras
22 during 1986. Prior to November of 1986 did Director
23 Casey ever discuss with you what Colonel North's role was
24 in supporting that resupply operation?

25 A No, he did not.

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1 Q Did he ever say anything to you which led you
2 to believe that he knew about Colonel North's role in
3 supporting that operation?

4 A No. My impression from comments that Mr.
5 Casey made to me was that his level of knowledge was
6 along the lines that in fact have been suggested in the
7 press, and that is that there was encouragement of
8 private fundraising, advice to the contras, but nothing
9 suggesting an operational role.

10 Q So from your conversations with Director Casey
11 you gathered that he saw Colonel North's role as one of
12 encouraging private contributions and providing general
13 advice to the contras, but not as coordinating the
14 resupply operation in the way that he described it in his
15 testimony?

16 A That would be my impression, yes, that it was
17 not a tactical role at all.

18 Q Let's turn to the time period of October and
19 November of 1986, and I want to start with a meeting that
20 I believe you had with Charlie Allen on October 1. Do
21 you remember that meeting?

22 A Yes.

23 Q Do you remember who requested the meeting?

24 A Mr. Allen did.

25 Q And what was the purpose of the meeting?

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1 A He wanted to bring to my attention
2 intelligence information that he had received or been
3 looking at that led him to believe that the operational
4 security of the Iranian initiative was in jeopardy and,
5 finally, to express his concern over a development that
6 he or -- he wanted to inform me of his speculation,
7 looking at the intelligence, that there might have been a
8 diversion of money from the Iranian affair to Central
9 America.

10 He acknowledged that he didn't have any
11 evidence of such a diversion and no indication that there
12 was any involvement by a U.S. person or persons in the
13 activity or in what he was thinking about. It was just
14 that between the overcharging that he saw in the
15 intelligence materials and the cheating that he perceived
16 was going on and the fact that there were -- and I should
17 have said earlier U.S. Government persons -- and the fact
18 that some of the players in the Iranian affair were also
19 active in support of the contras, he was concerned that
20 some of that money might be going.

21 And, as I say, he acknowledged himself that it
22 was speculation and it really was, in the context of the
23 total briefing, a relatively minor part of it.

24 Q Let me get to that in a minute. First, let me
25 ask you what were his concerns about the operational

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1 security problems with the Iran initiative?

2 A Well, I don't remember precisely, but it had
3 to do with the change of channels from the first channel
4 to the second channel and the fact that Ghorbanifar and
5 others involved in the first channel were very unhappy
6 about the change and the concern that they might go
7 public.

8 Q Did Mr. Allen tell you in this meeting on
9 October 1 that private parties that had been involved in
10 financing the initiative were complaining about not
11 getting their money?

12 A I don't recall him saying that, no, not on the
13 first of October.

14 Q Do you recall whether there were any
15 discussions at this October 1 meeting about Mr.
16 Ghorbanifar's complaints that he had been overcharged for
17 the arms that were shipped to Iran?

18 A It's hard for me to separate what Allen said
19 on the first because I didn't take any notes and what he
20 wrote in his paper that he prepared a few days later, I
21 know that he spoke of Ghorbanifar's unhappiness. Whether
22 he spoke specifically about the overcharges, I don't
23 recall.

24 Q Is it fair to say that he described to you in
25 this meeting of October 1 essentially what he put in that

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1 paper that he prepared at your direction after the
2 October 1 meeting?

3 A There was one difference that I recall in the
4 -- the one difference that I recall specifically between
5 what he told me on the first and what he wrote in the
6 paper when he actually set down his view, on the first he
7 spoke specifically about the possibility of -- his
8 speculation of the possibility of a diversion to the
9 contras. But when he wrote his paper he backed away from
10 that and simply referred -- and again that was in the
11 context of if Ghorbanifar goes public, these are the
12 kinds of allegations that he might make, and he listed
13 several, and the last one of those was that some money
14 from the Iranian initiative was being -- I don't remember
15 the right word -- was being diverted to other projects of
16 the U.S. Government and of the Government of Israel.

17 So it was a less specific formulation.

18 Q So in the October 1 meeting he specifically
19 mentioned the possibility that Ghorbanifar would charge
20 that money from the arms sales had been diverted to the
21 contras, whereas in the paper he prepared after the
22 meeting he used a more general description and described
23 it as a possible diversion to certain unspecified U.S.
24 and Israeli projects; is that right?

25 A Well, again it's going back a long time, but

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1 my recollection is that he made more on the first of the
2 fact that some of the same people involved in the Iranian
3 affair were involved in the contra, the private
4 benefactor effort. And there was much less emphasis on
5 that in the memorandum that he prepared a couple of weeks
6 later.

7 Q At the October 1 meeting did he specifically
8 raise his concern that money from the arms sales might
9 have been diverted to the contras as opposed to simply
10 saying that money from the arms sale might have been
11 diverted to certain unspecified U.S. projects?

12 A Yes.

13 MR. BARBADORO: Let's go off the record for
14 just a second.

15 (A discussion was held off the record.)

16 MR. BARBADORO: We can go back on the record.

17 BY MR. BARBADORO: (Resuming)

18 Q As he described it to you on October 1, what
19 was the basis for Mr. Allen's suspicions?

20 A I think that, as I recall, it was -- I may be
21 putting words in his mouth, but I think it was basically
22 two things -- first of all, all of the suggestions [REDACTED]
23 [REDACTED] of cheating and overcharging.
24 Now frankly that by itself, I think, was not of
25 particular concern to people because these were Iranians

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1 and arms dealers, and I think as far as most of our
2 people are concerned that goes with the territory.

3 But the second thing -- and again this is
4 where I may be putting words in his mouth -- I think it
5 was the fact that General Secord was involved in the
6 Iranian business and also involved in the private
7 benefactor effort that just caused him to wonder about
8 the possibility. And that's why there was no -- as I
9 say, he didn't have any evidence and he acknowledged
10 that. He didn't have any indication of any U.S.
11 Government role or anything. I think it was just the
12 mere fact of Secord's presence in both of these
13 activities that, I think is just the best way to put it,
14 raised his concern.

15 Q As of October 1 did you know that Secord was
16 involved with the Iran initiative?

17 A I'm not entirely certain, but I don't think
18 so. It would have been kind of vague, having heard that
19 he was playing some kind of a role. But in terms of the
20 centrality of his role, I certainly am pretty sure I was
21 not aware of that at the time.

22 Q Did Mr. Allen explain what Secord's role was
23 in the Iran initiative at the October 1 meeting?

24 A I don't think so.

25 Q As of October 1, did you know what Mr.

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1 Secord's role was in supporting the contra initiative?

2 A No. I knew that he was one of the private
3 benefactors, but I really didn't know anything beyond
4 that, particularly in light of what has emerged
5 subsequently.

6 Q Did Mr. Allen explain to you at the October 1
7 meeting what Secord's role was in supporting the contra
8 initiative?

9 A No. I'm pretty sure he didn't.

10 Q As of October 1 was it your understanding that
11 the arms were being passed from U.S. Government stocks to
12 a private agent or entity and then to the Iranians?

13 A The specifics on how all of this was taking
14 place were not very clear to me at the time. In other
15 words, I knew the basic outlines of what was happening in
16 terms of the arms. I really can't recall what I knew at
17 the time about the role of the intermediaries. I must
18 have been aware that the materials were going, that the
19 weapons were going through or at least that the money was
20 going through intermediaries.

21 I think I was unclear about whether the
22 weapons themselves were being taken directly from our
23 [REDACTED] to the Iranians. I think I was not clear
24 on that point, but I knew that there were intermediaries
25 involved in the financing -- I mean in the accounts.

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1 Q Did Mr. Allen mention in this October 1
2 meeting how he thought the money was being generated
3 which could then be passed to the contras?

4 A No.

5 Q What else did he tell you about his suspicions
6 that money from the arms sales might be going to the
7 contras?

8 A What I've described is basically all that he
9 told me. And, as I say, it came at the very end of the
10 conversation, after having described his concerns about
11 the operational security, which was the focus of his
12 concern.

13 Q So his reference about the contras was really
14 one small part of a larger set of concerns that he had?

15 A That's correct.

16 Q What did you tell him to do about his
17 concerns?

18 A I told him that I thought it was important
19 that he brief the Director, and I urged him to do so as
20 quickly as possible.

21 Q And do you know whether he did subsequently
22 meet with Director Casey?

23 A Yes, he met with him on October 7.

24 Q That same day, October 7, Director Casey
25 received a call from Mr. Furnmark. Did Director Casey

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1 ever tell you about that telephone call?

2 A As I recall, when Allen briefed Casey on the
3 operational security problems I think -- and again I'm
4 trying to sort out what I've heard subsequently and what
5 I heard then, and it's a little difficult -- but I think
6 that at that same session Casey relayed the information
7 about the unhappy Canadian investors that Furmark had
8 passed along to him.

9 Q Were you present at that meeting between Allen
10 and Casey on the 7th?

11 A Yes.

12 Q Did Allen describe basically the same concerns
13 at the meeting on the 7th that he had described at the
14 meeting on the first?

15 A Yes.

16 Q And in addition to that you recall Director
17 Casey mentioning his conversation with Furmark earlier
18 that day where Director Casey had learned about the angry
19 Canadians?

20 A I'm pretty sure that he at least talked about
21 the unhappy investors, the Canadian investors.

22 Q What was Director Casey's reaction when Allen
23 described his suspicion that money from the arms sales
24 may have been diverted to the contras?

25 A Well, it seemed to me -- again trying to

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1 remember -- that he seemed somewhat surprised by that.

2 Q Did Director Casey inquire as to what the
3 basis of Mr. Allen's suspicions were on that point?

4 A I don't recall that he pursued it. I think
5 Allen made basically the same observations that he had to
6 me on the first, and, as I recall it, I think that was
7 the point at which the Director asked Allen to write all
8 of these concerns, write all of it up.

9 Q Did Director Casey ask either you or Allen to
10 do anything else other than to write up, other than to
11 ask Allen to write up his concerns?

12 A No.

13 Q Could we mark this Exhibit 1?

14 (The document referred to was
15 marked Gates Exhibit Number 1
16 for identification.)

17 Mr. Gates, let me show you a document which
18 has been marked as Exhibit 1. It is a 14 October 1986
19 note from Charlie Allen to Director Casey, and attached
20 to it is seven pages of typewritten notes. Let me ask
21 you if you've seen that before.

22 A Yes. This is the paper that Allen provided to
23 the Director and me.

24 Q And you saw this at or around the time it was
25 produced?

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1 A Yes.

2 Q On page six of the memorandum Mr. Allen
3 describes his concern that Ghorbanifar may claim that
4 money from the arms sales had been diverted to "other
5 projects of the U.S. and of Israel". Do you know why
6 Mr. Allen referred to it this way rather than to say that
7 he was concerned that money was going to the contras from
8 the arms sales?

9 A No. But the way I interpreted it was that
10 between talking about it and writing it down for the
11 record that he became -- and again this is just my
12 interpretation -- he became less certain about what was
13 going on or about his speculation here and therefore
14 couched it in more general terms.

15 But, as I say, that's just my interpretation.
16 I did not ask him.

17 Q What did Director Casey decide to do about
18 Mr. Allen's concerns after he received this 14 October 86
19 memorandum?

20 A I encouraged the Director to make an
21 appointment with Admiral Poindexter and give him this
22 memorandum and alert him to these concerns.

23 Q And did such a meeting take place the next
24 day, October 15, 1986?

25 A Yes. As I recall, we tried to get an

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1 appointment the same day we got the memorandum, on the
2 14th, but were unable to do so, and met the next
3 afternoon in Casey's office. As I recall, Poindexter was
4 in the Old EOB because he had a staff meeting, and he
5 joined us prior to his staff meeting.

6 Q Was anyone else present at this meeting in the
7 Old EOB other than you, Director Casey and Admiral
8 Poindexter?

9 A No.

10 Q What happened at that meeting?

11 A Poindexter sat down. Casey gave him this
12 memorandum and urged him to read it in our presence, and
13 he did so.

14 Q And Poindexter read it. What happened after
15 Poindexter finished reading the memorandum?

16 A Well, he was basically, as I recall, impassive
17 in his reaction. There was discussion about the
18 operational security problem. As I recall, that was an
19 occasion, one of the first occasions, when Casey started
20 talking about making the entire affair public, and I
21 think he also at that point recommended to Poindexter
22 that he have the White House counsel review the matter,
23 review what the NSC was involved in, to ensure that
24 everything was legal. I don't know if he said "legal",
25 but to ensure that everything was proper.

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1 Q Do you recall any discussion at that meeting
2 about this reference on page six of the memorandum to the
3 possibility that money from the arms sales had been
4 diverted to other U.S. and Israeli projects?

5 A Again, memory is imperfect this long after,
6 but I don't think so. But he did encourage Poindexter to
7 read it carefully and he did.

8 Q You mentioned, I think, two things which I
9 would characterize as recommendations that Casey had as
10 to how to handle this thing. Is that a fair way to
11 characterize what Casey was suggesting?

12 A There was a brief discussion at the end of the
13 paper about appointing a panel of wise men, if you will,
14 to come in and look at all the documentation and review
15 the policy and make their suggestions on the next steps.
16 As I recall the conversation, that recommendation was
17 dismissed fairly quickly.

18 Q By Admiral Poindexter?

19 A Well, I don't really remember. My
20 recollection is that neither one of them took it too
21 seriously.

22 Q Who was it that offered that possibility?

23 A It's in Allen's memorandum.

24 Q I see. Okay. Did Director Casey suggest to
25 Poindexter that it was time to make the whole initiative

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1 public at this meeting on the 15th?

2 A That's my -- my recollection is that he said
3 something to the effect that it was time that they ought
4 to think about making the whole thing public.

5 Q What was Poindexter's reaction to that
6 recommendation?

7 A I don't remember precisely, but I think that
8 the basic reaction was that it was premature, that there
9 was still an opportunity to get some additional hostages.

10 Q Director Casey also recommended to Admiral
11 Poindexter that White House counsel review the
12 initiative. What was Admiral Poindexter's reaction to
13 that recommendation?

14 A At that meeting I don't think he reacted.

15 I should mention I don't know whether you will
16 be asking later, but before we went down to the White
17 House, down to the meeting, I asked Casey for permission
18 to break the compartmentation on this initiative and to
19 bring in CIA General Counsel and brief him on everything
20 that I had heard from Allen and ask him to look into the
21 entire matter and ensure that at least from our
22 perspective everything was proper, that there were no
23 problems.

24 Casey agreed, and I did that. And in the
25 context of that the General Counsel, in terms of the

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1 steps that he recommended to me, they paralleled what in
2 fact we did, which was to take the information to
3 Poindexter and recommend that they have White House
4 counsel review it.

5 Q What else did CIA General Counsel recommend?

6 A Those were his only recommendations at that
7 time. I asked him to look into the entire matter and he
8 later got back to me and said that he did not believe
9 there were any concerns from a legal or propriety
10 standpoint for CIA.

11 Q Do you know whether he looked into the
12 speculation by Charlie Allen that money from the arms
13 sales had been diverted to other uses?

14 A I don't know that he pursued that.

15 Q Were there any other recommendations made at
16 this meeting on the 15th other than what we have already
17 discussed?

18 A None that I can recall.

19 Q Were any decisions reached as to how to handle
20 Mr. Allen's concerns for the operational security of the
21 program?

22 A No. The Director encouraged Poindexter to
23 keep the paper and I recall that I guess it was my
24 suggestion that we remove the cover sheet, the cover note
25 from Mr. Allen so that to the degree that the paper

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1 expressed criticism of the enterprise it wouldn't reflect
2 badly on him.

3 Q And was that done?

4 A Yes.

5 Q Let me ask you, is the first page of Gates
6 Exhibit 1 the cover sheet for the memorandum?

7 A Yes, the transmittal notes from Allen to the
8 Director in name.

9 Q I want to go back a few days to a meeting that
10 you had with Colonel North on October 9. Do you remember
11 that meeting?

12 A Yes.

13 Q Where did that meeting take place?

14 A In Casey's office.

15 Q And who else was present besides you and
16 Director Casey and Colonel North?

17 A No one.

18 Q What was the purpose of that meeting?

19 A Well, the meeting had already been set up
20 between the Director and Colonel North, I was under the
21 impression for the purpose of Director Casey hearing
22 North's report on the most recent meetings with the
23 Iranians. I in essence invited myself to the lunch in
24 part because or in substantial measure because that
25 morning -- and I may have the dates, precise dates,

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1 incorrect -- but I believe that morning Eugene Hasenfus
2 had announced in Managua that he was working with or for
3 CIA, and he had been shot down I think two or three days
4 prior to that.

5 And it looked as though the Director and I
6 were going to go to the Capitol that afternoon and meet
7 with the Chairman and Vice Chairman of both of the
8 intelligence oversight committees. I had already talked
9 to the people in our Directorate of Operations and
10 received their reassurances that no one from CIA, no
11 assets or proprietaries or anything, were involved in any
12 of these activities.

13 And because of the impression that Colonel
14 North at least was a contact point or a go-between
15 between the private benefactors and the contras I wanted
16 the opportunity to ask him directly if he knew of any
17 involvement, direct or indirect, by CIA individuals or
18 proprietaries.

19 Q Is it fair to say, then, that the reason the
20 meeting was scheduled was to discuss the Iran initiative,
21 but because of events that had occurred on or about
22 October 7 you decided it would be an occasion also to
23 discuss the contras with Colonel North?

24 A Yes.

25 Q What discussion was there at the meeting about

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1 the Iran initiative?

2 A As I recall, North did give a debriefing on
3 the meetings with the Iranians. I believe also that
4 Casey described the unhappy investors and the operational
5 security problems raised by Mr. Allen. And again, as I
6 recall, I think that was basically it on the Iran
7 initiative.

8 Well, there was one other subject which I felt
9 a little foolish about at the time but subsequent to
10 Admiral Poindexter's testimony I have felt better about.
11 In the course of this lunch I noted that CIA still did
12 not have a copy of the January 17 Finding and that as far
13 as anyone knew that Finding existed in one copy only in
14 Admiral Poindexter's safe, and I told the Director during
15 the lunch that I felt he should insist on getting his own
16 copy. And I told North that he could tell Poindexter
17 that we would put it in Casey's personal safe, whatever
18 requirements they wanted.

19 I said perhaps I've been reading too many
20 novels, but that one piece of paper is the only thing
21 that gives legal authorization to what CIA has been doing
22 since 17 January in this affair, and who knows what might
23 happen to that single piece of paper. But if it
24 disappeared we could have big trouble. And we
25 subsequently got a copy of the Finding. I might add

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1 since the last couple of weeks I've really been glad.

2 Q Do you recall how you learned that you didn't
3 have the Finding? Could it have been from the CIA
4 General Counsel when you asked him to look into the whole
5 initiative?

6 A I really don't remember how it came to my
7 attention that we didn't have the Finding. I knew that
8 several of our people had read the Finding, and I don't
9 know why.

10 Q Did you later receive a copy of the Finding
11 from Colonel North?

12 A Yes, we did -- actually from Admiral
13 Poindexter. But it took a couple of weeks.

14 Q You mentioned that Director Casey described
15 his conversation with Furmark about the unhappy
16 investors. What was Colonel North's reaction when the
17 story of the unhappy investors was described to him?

18 A I don't remember really what his reaction was.
19 I don't really remember. I would speculate that he
20 explained the benefits in having changed channels, but
21 beyond that I really don't remember.

22 But I guess the other aspect of it worth
23 noting is simply that his response was nothing
24 remarkable. He didn't fall over backward in his chair
25 and say that's the most horrible thing I've ever heard.

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1 Q What was his reaction when the operational
2 security problems with the initiative, as seen by
3 Mr. Allen, were described to him?

4 A Again my recollection is that in that part of
5 the conversation he was mostly just listening. My memory
6 is vague on that, but I think that Casey did most of the
7 talking on that question.

8 Q Did Colonel North attempt to refute Mr.
9 Allen's concerns for the operational security of the
10 program?

11 A Not that I recall,

12 Q Was Mr. Allen's concern that money from the
13 arms sales was being diverted to other programs raised at
14 the meeting?

15 A No.

16 Q Colonel North has testified that it was on
17 Mr. Casey's instructions that he began destroying
18 documents concerning the Iran initiative and his
19 involvement in the contra program, and that he received
20 these instructions from Director Casey shortly after
21 Director Casey received the call from Mr. Furmark. Was
22 there any reference at all, any discussion at all, in
23 this meeting on October 9 about destroying documents
24 concerning either the Iran initiative or the contra
25 program?

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1 A Absolutely not. I think that the most that
2 Casey probably said in that session was something to the
3 effect, on the unhappy investors and so on, was probably
4 something to the effect of you ought to get this
5 straightened out or something like that. There was no
6 indication, I mean nothing that I recall, that you could
7 read between the lines, as I've thought back, in terms of
8 destroying documents or anything like that.

9 Q Let's turn to the discussion at the meeting
10 about the contras. What did you say to Colonel North
11 about the contras and what was his response?

12 A It was really not a prolonged exchange. I
13 simply think I noted -- we talked about the Hasenfus
14 matter, the shootdown, and I simply asked North directly
15 whether he had any knowledge whether any CIA assets or
16 proprieties, directly or indirectly, were in any way
17 involved with the private benefactor effort, and he
18 responded absolutely not, that he had worked very hard to
19 prevent that.

20 And I think that was the end of that
21 conversation, and that was the part that I recorded.

22 Q Did you and Director Casey have plans to go
23 down and speak to the Congressional Committees about the
24 Hasenfus matter on the 9th of October?

25 A I have been trying to reconstruct that in my

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1 mind. I thought that we should, and I think that the
2 initiative was ours in the event, but it may not have
3 actually been arranged until after the lunch.

4 Q You have described a discussion about the CIA
5 lack of involvement with the private benefactors. Was
6 there any discussion in the meeting about what Colonel
7 North's role was with respect to the private benefactors?

8 A No.

9 Q Why wasn't Colonel North's role regarding the
10 private benefactors discussed?

11 A Well, I was the one that raised it, and
12 frankly the main issue on my mind was the firestorm of
13 publicity surrounding CIA's role because of the
14 allegations made by Hasenfus and also what was on the
15 news media and so on. So that was really my
16 preoccupation at the moment, was CIA, not what Colonel
17 North might have been involved in.

18 Q I was going to get into this later on, but
19 this may be a good time to discuss it. As of the 10th of
20 October what did you know about the role of [REDACTED] CASTILLO
21 [REDACTED] in assisting the private
22 benefactors?

23 A Absolutely nothing.

24 Q You didn't know that he had a KL-43 machine or
25 some kind of secure communications device?

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1 A No.

2 Q And you didn't know that he was --

3 A Well, I didn't know that he had a device

4

5 Q Right. And you didn't know that he was
6 relaying information between the private benefactors and
7 the southern front forces?

8 A No.

9 Q And you didn't know that he was receiving
10 instructions regarding the private benefactors from
11 Colonel North?

12 A No.

13 Q What did you know about Colonel North's role
14 concerning the private benefactors as of 10 October?

15 A Well, most of what I knew I knew from
16 allegations in the newspapers. My understanding of what
17 he was doing at the time was that he was basically
18 holding the hand of the resistance leaders, offering them
19 political advice and staying in touch with them, that he
20 was encouraging, with presumably others in the White
21 House, encouraging private Americans to donate money to
22 the contras, and I presumed that he had a role in putting
23 those two groups in touch with one another.

24 And that basically was my understanding of his
25 role.

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1 Q Did you know that the private benefactor
2 operation was being run out of [REDACTED]
3 [REDACTED]

4 A Well, I think I knew that some -- yes, I guess
5 I did, that some of the private benefactor resupply
6 planes were moving [REDACTED] because this
7 was a question that came up in the meeting with the
8 Chairman and Vice Chairman of the Intelligence
9 Committees.

10 Q Who did you think the private benefactors were
11 as of October 1986?

12 A My impression, frankly, was that those who
13 were -- well, the private benefactors were wealthy
14 Americans who were contributing to the cause.

15 Q Did you know, did you tie any names to this
16 group of private benefactors?

17 A Well, I had read the names in the newspaper of
18 General Secord and General Singlaub, I guess particularly
19 General Singlaub at that point. That's the only name
20 that I recall. C/CATF

21 Q [REDACTED] has testified in a deposition to
22 the Committee that he knew as of October of 1986 that
23 Ollie North was in some way connected with the private
24 benefactors. Did he ever tell you that as of October
25 1986?

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1 A Not that I recall. I just don't remember. I
2 don't think so.

3 Q Were you aware of any connection between North
4 and the private benefactors as of October 1986?

5 A Well, as I indicated --

6 Q Other than North's general involvement with
7 fundraising.

8 A And in an advisory capacity, no, certainly not
9 in an operational sense. Let me put it that way.

10 I might add, you know, there's been a great
11 deal of attention drawn to the letter that McFarlane sent
12 to Mr. Hamilton avowing that whatever North was doing was
13 legal and proper. The House Intelligence Committee were
14 not the only ones that read that letter and were not the
15 only ones that believed it. So there was a
16 predisposition that while we didn't know or certainly
17 from my standpoint, I think from the standpoint of others
18 as well, that while we didn't know entirely what North
19 was up to, the presumption was that it was proper because
20 of that letter.

21 Q Is it safe to say that the same
22 representations that were made to the Intelligence
23 Committees about Colonel North's role in supporting the
24 contras by the NSC were made to the CIA as well and that
25 you relied on those representations?

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1 A Well, during that period I was the Deputy
2 Director for Intelligence and not really involved in any
3 -- would have had no legitimate connection with any of
4 these activities to begin with, so nobody said that to me
5 directly, but I think it's a fair -- I don't know whether
6 there were specific representations made, but I believe
7 in retrospect that people at CIA did pay attention, read
8 and pay attention, to that letter and believed it.

9 Q Let's go back to the meeting on October 10.

10 A Nine.

11 Q October 9, excuse me. Was there any
12 discussion at that meeting about Swiss bank accounts?

13 A There was a reference, as I recall, at the
14 very end of the lunch -- we may have even been getting up
15 from the table -- some reference, a vague reference that
16 I have not been able to reconstruct of something to do
17 with Swiss bank accounts and the contras.

18 Q Who made the reference?

19 A North.

20 Q Do you know what prompted the reference?

21 A I do not recall, but this subject of the
22 contras and the Hasenfus affair and the private
23 benefactors and any CIA connection, as I recall, was the
24 last subject at the lunch so it presumably grew out of
25 that discussion.

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1 Q Did North say anything when discussing the
2 Swiss bank accounts that in any way caused you to draw a
3 connection between those bank accounts and anything to do
4 with the Iran initiative?

5 A No. But, coming from the analytical side of
6 the house, Swiss bank accounts have a connotation for me
7 that maybe they wouldn't for people in Operations [REDACTED]
8 [REDACTED] and as a
9 result, immediately after the lunch, I went back into
10 Casey's office and said, you know, he made some strange
11 reference or whatever to Swiss bank accounts and the
12 contras. Is there anything there that we should be
13 worried about or that we should be concerned about?

14 And it appeared to me that Casey hadn't even
15 picked up on what he had said. He kind of looked at me
16 quizzically and he had either not heard or it hadn't made
17 any impact on him or whatever, and he basically just kind
18 of waved it off.

19 Q Is there anything else you can remember about
20 Colonel North's reference to the Swiss bank accounts and
21 the contras?

22 A No.

23 Q Did either you or Director Casey at this
24 meeting on the 9th ask Colonel North whether money was
25 being diverted from the arms sales to the contras?

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1 A No.

2 Q Why didn't you ask him about it?

3 A Well, again I think it has to be seen in the
4 context of October 9 and not the end of July 1987. The
5 principal concern that Allen had surfaced was one of
6 operational security. There was no reference in any of
7 his discussions or in his paper to anybody in the United
8 States Government being involved. There was no reason to
9 have the slightest suspicion at that time that anybody at
10 the NSC was involved in this activity.

11 The question really was focused more on, in
12 the initial conversation on the possibility of perhaps
13 General Secord being involved in something inappropriate.
14 So there was really no reason to ask North, because there
15 was no suspicion at that point even by Allen that he or
16 anybody else at the NSC was in any way associated with
17 that speculation.

18 Q Would you mark this as Exhibit 2?

19 (The document referred to was
20 marked Gates Exhibit Number 2
21 for identification.)

22 Mr. Gates, let me show you Exhibit 2, which is
23 a 10 October 86 memorandum prepared by you concerning
24 lunch with Ollie North. Do you recognize that?

25 A Yes.

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1 Q Is that the memorandum of your meeting with
2 North on the 9th?

3 A Yes.

4 Q The one question I have about Exhibit 2 is,
5 why doesn't it contain any reference to Colonel North's
6 statement about the Swiss bank accounts and the contras?

7 A Because it was, as I indicated, kind of a
8 cryptic comment that I attached -- didn't understand.
9 And when I raised it with the Director he hadn't made
10 anything of it. And so, since I didn't know what he was
11 talking about, there is no reason to include it.

12 Q When did you and Director Casey next meet with
13 Admiral Poindexter after the meeting on the 15th?

14 A I left the country on an overseas trip on 17
15 October. I think I got back on the 30th. And I think
16 our next meeting was on November 6.

17 Q I'm sorry. When did you say you got back?

18 A I think on October 30.

19 MR. BARBADORO: Let's go off the record.

20 (A discussion was held off the record.)

21 MR. BARBADORO: Let's go back on the record.

22 BY MR. BARBADORO: (Resuming)

23 Q When was your next meeting with Director Casey
24 and Admiral Poindexter after the 15th?

25 A That was November 6.

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1 Q What was the purpose of that meeting?

2 A As best I can recall, it was one of our
3 regular Thursday evening meetings. We would meet every
4 week.

5 Q Did the subject of the Iran initiative come up
6 at that meeting?

7 A As I recall, it came up only briefly. I
8 believe the Director again urged making it public and
9 again urged having White House counsel review the NSC's
10 activities, and I'm pretty sure it was at that meeting
11 then that Admiral Poindexter said that he didn't trust
12 the White House counsel. I guess he said I don't trust
13 Wallison to keep his mouth shut.

14 Q Was there anything said at this meeting about
15 whether Colonel North should get a lawyer?

16 A No, not that I recall.

17 Q In one of your earlier -- one of the
18 transcripts of your earlier testimony on this initiative
19 you made a reference to Director Casey at some point
20 suggesting that Colonel North should get a lawyer, and
21 I'm unclear as to when that was.

22 A I don't think that was in my presence. I
23 think he told me about that or just mentioned that he had
24 told North that he ought to get counsel. And, as I think
25 I pointed out in one of the testimonies, it really wasn't

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1 clear to me whether he was referring to North talking to
2 the White House counsel or getting private counsel. It
3 was just a passing reference, and I think it was in the
4 context of talking about this same kind of
5 recommendation, about having White House counsel review
6 the matter.

7 Q Did he explain whether he thought North had
8 done something wrong?

9 A No. As I have looked back through, as part of
10 the investigations and so on, my impression has been --
11 and it's only an impression, -- that he thought that North
12 might have some civil liability growing out of the
13 unhappy investors, but that's just a speculation on my
14 part.

15 Q Do you know whether Director Casey raised
16 specifically Charlie Allen's concerns about the
17 possibility that money from the arms sales had been
18 diverted to the contras with Admiral Poindexter in the
19 meeting on November 6?

20 A I'm pretty sure he did not.

21 Q He did not. So there was no discussion at
22 that meeting on the 6th about the possibility of funds
23 being diverted to any project as far as you can remember?

24 A I'm pretty certain that's the case. I do not
25 recall the subject being raised with Poindexter in my

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1 presence again after October 15.

2 Q According to our records, you and Director
3 Casey met with Admiral Poindexter again on November 13.

4 A Yes.

5 Q This was after the Iran initiative had been
6 made public. Was there any discussion at this meeting on
7 the 13th about the issue of diversion?

8 A No. The one thing that I recall happening, it
9 became clear that we were going to have to testify before
10 Congress on this matter, and on the 12th I drafted a note
11 for Casey to send to Poindexter saying what expressed my
12 view that we should not come up to the Hill to brief at
13 all unless the President rescinded his direction not to
14 talk about the Finding, that we had to be able to talk
15 about the Finding and all of the activities that flowed
16 from it.

17 Casey did not send that note, and my
18 recollection is that at the meeting on the 13th, though,
19 the subject came up and I believe that at that point it
20 was agreed that that's the way it would go, that we would
21 testify, when we did testify we would testify to the
22 Finding and everything else.

23 Q I'm want to turn to the subject of the
24 preparation of Mr. Casey's testimony and I want to show
25 you a document which CIA has provided to the Committee

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1 and which might be helpful to you in refreshing your
2 recollection as to when you first got instructions to
3 help prepare that testimony. Let me mark it as Exhibit
4 3.

5 (The document referred to was
6 marked Gates Exhibit Number 3
7 for identification.)

8 Exhibit 3 is a 16 November 86 memorandum from
9 Director Casey to you. Let me ask you if you remember
10 getting that memorandum on or about 16 November.

11 A I had not recalled this memorandum until I saw
12 it a few days ago. As a result, I had thought from the
13 very beginning that my telephone call to Mr. Casey on the
14 17th was to persuade him to return from Central America
15 to deliver testimony, that I would not be able to give it
16 myself without knowing a lot of the facts and details.

17 Having seen this, I still don't recall having
18 gotten it, but, having seen it, I now believe that that
19 memo indicates that he intended to return at midnight
20 Thursday. Now I believe that my phone call to him was
21 probably to tell him that he had to come back earlier
22 than that.

23 Q When did Director Casey leave for Central
24 America and when was he originally scheduled to return?

25 A Well, I don't really know, but I think he was

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1 leaving that Sunday, the 16th, and I think he was
2 scheduled to be gone the entire week.

3 SENATOR BOREN: Let me interject. Chairman
4 Stokes asked me to come over as well. It had been our
5 understanding -- and Mr. Gates has not entered any
6 objection to this -- but it has been our understanding
7 when we had a Members meeting of the Committee that it
8 was not necessary to call Mr. Gates to testify.

9 The Members of the Committee, I had thought,
10 decided it and that if he were asked he would be asked to
11 give his policy feelings about oversight. We have been
12 through all of this under sworn testimony in his
13 confirmation hearings and we, the elected members of the
14 Committee, if we have any rights in this matter, felt
15 that it would be unnecessary to go over these matters
16 again.

17 I'd like to have my feelings entered into the
18 record as an elected Member of the Committee under the
19 Constitution of the Senate, that the members of the
20 Committee, I had thought, had some rights in this, and
21 Chairman Stokes of the House Intelligence Committee
22 authorized me to convey a similar feeling about this.

23 And I don't see any reason why, unless there
24 is a matter that has been testified to since then by the
25 witnesses, that we would want to refer back to his sworn

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1 testimony before the Intelligence Committee. To go
2 through all this again I think is an unnecessary
3 imposition on Mr. Gates, so I want to state that for the
4 record and have it entered into the record of the
5 deposition that that's the feeling of this elected member
6 of this Committee.

7 I think it's also the feeling of Chairman
8 Stokes. It was the feeling expressed by Senator Cohen at
9 that meeting, and I was unaware until two days ago that
10 this was being held. But I don't see any point in going
11 back over this, because I think our Committee has
12 delivered to this Committee the full transcript of the
13 sworn testimony of Mr. Gates on these matters.

14 MR. BARBADORO: Well, Senator, if there's one
15 thing I didn't need to learn from these hearings, it is
16 that elected and accountable officials make the important
17 decisions.

18 SENATOR BOREN: I thought that was what we
19 were investigating. I think it's a little ironic that
20 while we're investigating that matter that our own
21 Committee seems to be functioning to the contrary.

22 MR. BARBADORO: If I have misinterpreted my
23 instructions from the Committee, I apologize. Let me say
24 this, and I will defer to your judgment on it.

25 I went out to the CIA to meet with Mr. Gates a

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1 couple of days ago to discuss with him his testimony in
2 this deposition. It was intended that the deposition
3 would be primarily focusing on policy matters. There
4 were a couple of areas in which the committee has
5 discovered documents since the time of his last testimony
6 that we wanted to ask him about.

7 And, in addition to that, there are a couple
8 of instances, one of which I am leading into now, where
9 Mr. Gates has additional information that he wanted to
10 add to the record, and it was my intention to question
11 him on these matters to give him an opportunity to
12 respond to new documents that we found, to respond to
13 allegations that were made by Colonel North, and to give
14 him an opportunity to supplement the record where he
15 wanted to.

16 I understood that Mr. Gates was in agreement
17 with that, but I, of course, defer to the elected members
18 of the Committee.

19 SENATOR BOREN: I think Mr. Gates is in
20 agreement with that and he has entered no objection to me
21 about it. I just had found out inadvertently that it was
22 scheduled and Chairman Stokes and I discussed this
23 yesterday and Senator Cohen as well. We were not aware
24 of it. We thought we had decided not to do that, and I
25 don't want to in any way intervene, because I don't want

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1 to imply that Mr. Gates isn't willing to answer
2 everything, as we have said.

3 MR. BARBADORO: You're the boss. You tell me
4 what to do.

5 SENATOR BOREN: He's one of the most candid
6 people we have ever dealt with and that was the
7 expression of opinion of Mr. Hamilton and Senator Cohen
8 and Chairman Stokes and myself, and I'm sure he's willing
9 to do that.

10 All I would urge is that we take as little
11 time as possible so that we can go straight to the heart
12 of the new matters, because he has testified ad nauseum
13 to all of these matters during the confirmation process
14 and under oath. So I would think that if you can just
15 focus on the things, if there are new documents that have
16 come up, I think that's certainly something -- or
17 information he wishes to add for the record -- I think
18 that's fine.

19 But I would just urge you not to take the
20 whole afternoon with him.

21 MR. BARBADORO: Well, you're the boss. In
22 fact, I'll defer to you. You can ask him any questions
23 you want. As I say, I understood that I was acting in
24 accordance with my instructions. I'm not here to
25 harrass Mr. Gates. I informed your counsel that I was

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1 going to do this two days ago. I didn't know that you
2 had an objection to it.

3 SENATOR BOREN: Which counsel?

4 MR. BARBADORO: Mr. Holmes.

5 MR. HOLMES: Actually, I learned of it the
6 same time you learned of it, and we had a discussion of
7 it yesterday in the anteroom.

8 MR. BARBADORO: I defer to you, Senator. I
9 won't ask any further questions.

10 SENATOR BOREN: Why don't you go ahead and ask
11 the questions that are anything new since he testified,
12 but, I mean, I don't think we should ask him over again
13 what happened at this meeting and that meeting, because
14 he's testified to all that. I know he testified before
15 our committee to the preparation of the testimony and the
16 rest of it, and if there are new documents why don't you
17 go ahead and ask him?

18 MR. BARBADORO: Can we go off the record for
19 second?

20 (A discussion was held off the record.)

21 SENATOR BOREN: Why don't we go back on the
22 record? I want to make it clear that I'm not expressing
23 any feeling that counsel here who is conducting this
24 questioning is acting in bad faith. I think he is a
25 person who always conducts himself in good faith and

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1 there has simply been a misunderstanding. It could as
2 easily have been on our side as on his, and I certainly
3 know Mr. Gates is anxious to answer any questions that
4 are relevant that need to be asked.

5 My only point would be that I think it should
6 proceed, but I would hope it would not be necessarily
7 drawn out and simply go to new information or new
8 questions that have been raised by testimony of others
9 since the time Mr. Gates appeared before the Intelligence
10 Committee under oath and it would not be necessary to
11 repeat the same matters.

12 MR. BARBADORO: Thank you, Senator. If for no
13 other reason than I have to catch a plane for New
14 Hampshire at 5:30, believe me I intend to make it as
15 brief as possible. I will confine my questioning only to
16 new areas and to policy matters and will try to make it
17 as brief as possible.

18 Thank you, Senator.

19 BY MR. BARBADORO: (Resuming)

20 Q Let me just return to Exhibit 3, which is a
21 document that I understand you had not seen when you last
22 testified.

23 A I certainly did not recall it.

24 Q Having looked at that, is it your
25 understanding that Director Casey gave you written

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1 instructions to have his testimony prepared before he
2 left for Central America?

3 A Yes. This memorandum would seem to me to make
4 it clear that he intended to deliver the testimony all
5 along.

6 Q And in general terms could you describe what
7 you did to give instructions to people to have testimony
8 prepared?

9 A Yes. When I talked to Mr. Casey on Monday I
10 told him -- well, I gathered a meeting, held a meeting of
11 people who would be drafting the testimony in my office
12 on Monday, the 17th, and I told them that I felt that we
13 had to have -- that I wanted the testimony prepared along
14 with two things in mind.

15 First of all, I wanted to put all the facts on
16 the table. In fact, I'm forced to remember that I said
17 at the time that the only way we can avoid a long, drawn-
18 out investigation is to put all the facts on the table at
19 the outset. I also said that I did not want the
20 testimony to be a defense of the policy. I said that I
21 wanted the Director to testify as the Director of CIA and
22 not a Cabinet member and not an advisor to the President.

23 I wanted to give all the facts of CIA's
24 involvement and if the Director wished to defend the
25 policy then he could do that in the question and answer

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1 session following the prepared testimony. But basically
2 I said we have to put together all the facts for the
3 Director and that should be his testimony. And that's
4 what I told him was the strategy that we were following
5 when I called him.

6 Q Let me turn to November 19. Do you recall a
7 meeting on that date at CIA headquarters concerning the
8 preparation of Mr. Casey's testimony?

9 A Yes. I believe at General Counsel's
10 suggestion I convened a meeting of the Deputy Director
11 for Operations, I believe Mr. Rizzo was there, Mr.
12 McCullough, the Director of the Executive Staff, the
13 assistant in Mr. George's office who was doing the actual
14 drafting of the testimony, and maybe one or two others --
15 Dave Greese, the Director of Congressional Relations.

16 And at that meeting the General Counsel, Mr.
17 Dougherty, said that it appeared that some of the facts
18 involved were getting shakier rather than better as we
19 were going along and was it possible to postpone the
20 testimony. And I told him that I thought that given the
21 momentum that had been generated that I thought it would
22 be impossible to get a postponement, and he indicated
23 that some of the information, particularly on various
24 things, was getting shaky.

25 And I said that we should simply enter into

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1 the record, then, or enter into Casey's testimony a
2 statement that we didn't have all the facts together and
3 that they would be provided as they became available.
4 Now that's what I remember of the meeting.

5 Mr. Dougherty has additional recollections
6 from that meeting that I don't remember but I will go
7 ahead and put on the record. He recalls that as I was
8 asking questions the people drafting the testimony said
9 well, we don't know what Mr. McMahon and Mr. Juchniewicz'
10 recollections are on this thing, and I directed them to
11 call McMahon and Juchniewicz and find out.

12 There were several other factual questions
13 that came up of trying to get testimony, and Dougherty's
14 recollection is that in each case I directed them to go
15 get the information or to try and find it. And his view
16 was that the overall message from the meeting to those
17 participating was that it was essential to nail down the
18 facts and get all the facts out on the table, and that
19 where we were uncertain to make sure we were explicit
20 about saying we were uncertain.

21 Q Was there any specific discussion about
22 diversion, the issue of diversion, at that meeting?

23 A Not at that meeting, no.

24 Q Was there a meeting during that week in which
25 there was a discussion about diversion?

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1 A On the afternoon of -- well, I attended two
2 meetings on the 20th, and here is something. They both
3 involved things that I had not recalled at the time of
4 the February hearings that may be worth pointing out.

5 Contrary to the testimony of at least a couple
6 of people who have appeared publicly, I was a participant
7 in the afternoon meeting in Admiral Poindexter's office.
8 It's a pity to be so faceless.

9 Our participation in that meeting was because
10 Colonel North had tried to persuade the people at the
11 Agency drafting the Director's testimony to indicate that
12 the Israelis or someone else had called to inquire to set
13 up the proprietary flight in November of 1985 rather than
14 himself. And this issue had been argued back and forth
15 between our people drafting the testimony and Colonel
16 North and could not be resolved.

17 And so I told the Director that we should go
18 down to Poindexter's office to set this straight because
19 it seemed to me to be a fairly important point. This is
20 one of the several occasions when I thought I was
21 initiating something and in fact, based on Admiral
22 Poindexter's testimony, that meeting had been arranged
23 all along. But I had the impression that it was my idea
24 that we go down.

25 In any event, we walked into the meeting. The

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1 Attorney General and Mr. Cooper were already there with
2 Admiral Poindexter. Colonel North came in after we got
3 there. And my recollection of what I had testified to
4 was that at that point I told Admiral Poindexter that we
5 had a problem, that our officers recalled and were
6 prepared to testify under oath to the fact that it was
7 Colonel North that had called or had arranged the
8 proprietary flight and that there was a disagreement on
9 that, that that was not Colonel North's recollection.

10 Well, just putting it out on the floor and
11 perhaps in the presence of the Attorney General,
12 basically the issue went away. It was very quickly --

13 Q They acquiesced in your position?

14 A Absolutely. It was only with Mr. Cooper's
15 testimony that I recalled that there had been a
16 discussion also of the events in the fall of 1985. I
17 believe that the reason that I did not remember this
18 earlier was because it concerned a series of events in
19 which I did not participate and was not Deputy Director
20 of Central Intelligence, and so really had no reason,
21 frankly, to pay much attention, because people were
22 saying something that I had no reason to quarrel with.

23 My recollection of that discussion having been
24 triggered by Mr. Cooper's testimony is that either
25 Colonel North or Admiral Poindexter -- and I do not

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1 remember which -- said of the fall of 1985 that the
2 Israelis asked for agreement to sell weapons to the
3 Iranians. The story that was being told there that I
4 recall was that the U.S. Government refused permission
5 but that the Israelis went ahead anyway and the decision
6 was made not to report that under the Arms Export Control
7 Act in order to hold that venue open in the event the
8 United States wanted to use it.

9 Well, when the investigations began, you know,
10 as things began to come out, I thought I had gotten it
11 confused, that I hadn't heard correctly because that
12 version or that account did not square with what I was
13 later reading in the newspaper, were conflicting version
14 of what had happened that fall. But Mr. Cooper's
15 testimony did trigger that recollection for me.

16 Q Mr. Cooper testified about some discussion at
17 the meeting and in particular referred to a statement by
18 Colonel North that the testimony should be changed to
19 reflect not only that no one in the CIA knew until
20 January that the plane had carried HAWK missiles in
21 November but that no one in the U.S. Government knew
22 until January.

23 Do you remember of any discussion of that
24 point at that meeting on the 20th?

25 A I don't really recall it, but, as we have been

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1 able to reconstruct it, I think that what happened on
2 Thursday -- and this is just my view -- ended up being a
3 very large misunderstanding. The first draft of Casey's
4 testimony was prepared by the clandestine service, by the
5 Director of Operations. It was prepared with Colonel
6 North's help, particularly with respect to the events
7 prior to January 1986, because most of the officers
8 involved in helping to prepare the testimony had not been
9 directly involved and therefore had to turn to help.
10 They had no other source of information.

11 That first draft contained the sentence that
12 Colonel North had suggested, that no one in the U.S.
13 Government knew what was on that airplane.

14 Q So that we're clear, that is the draft which
15 the CIA has recently determined was prepared on the 19th
16 of November?

17 A It must have been, yes. That draft was given
18 to Director Casey when he returned from out of town, from
19 being out of the country. The next draft prepared was a
20 draft that carried the time noon or 12:00 on November 20.

21 According to the people who drafted that
22 testimony, Casey himself -- that noon draft reflected
23 only Casey's changes to the original draft he had been
24 given. He himself had taken out the sentence that no one
25 in the U.S. Government knew.

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1 When we went to the meeting on Admiral
2 Poindexter's office -- now this is again my
3 reconstruction or the reconstruction of all of us
4 involved -- when we went to the meeting in Admiral
5 Poindexter's office we took with us -- there was at the
6 meeting, and I assume we took it with us, a single sheet
7 of paper that was a chronology of CIA's involvement in
8 November 1985 in that flight.

9 During the course of that meeting, as we have
10 been able to reconstruct it -- again, I really don't
11 recall it myself -- Colonel North tried to reinsert the
12 language that he had put in the first draft early in the
13 week, that no one in the U.S. Government knew about it.
14 Apparently Casey, just writing, went ahead and wrote that
15 down on that single sheet of paper. It is my impression
16 that it is that piece of paper that triggered Mr.
17 Cooper's call to the State Department, when in fact at
18 that point that sentence was no longer in Mr. Casey's
19 testimony, about no one in the U.S. Government knowing.

20 Now we brought that piece of paper -- or
21 Casey, according to Mr. McCullough, Casey brought that
22 piece of paper back to the office with that written in on
23 it, but nothing ever happened to it. In other words, it
24 was not reinserted into the testimony.

25 Q And it was never intended to be inserted into

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1 the testimony?

2 A Once Casey had made the change in the first
3 draft, it never reappeared in another draft of the
4 testimony.

5 Now the other issue that we had difficulty
6 with was what people in CIA had known, and my
7 understanding is that the early draft said that no one in
8 CIA knew what was on the plane. As the week went along,
9 this was one of the sources of Mr. Dougherty's concern
10 because he began learning that perhaps some of the people
11 in the proprietary, perhaps somebody in Western Europe,
12 perhaps the crew of the airplane in fact had known there
13 were weapons on the plane.

14 So that that sentence, that reference, became
15 increasingly ambiguous with each successive draft, and
16 finally reached the point where, as I recall, it was
17 essentially excised altogether and it finally reappeared
18 in Casey's testimony on the 10th of December, that no one
19 in senior management of CIA knew what was on the
20 airplane.

21 So that was the dispute. Frankly, I think
22 that it was Mr. Cooper's -- again based on this
23 reconstruction that we have tried to make -- it was Mr.
24 Cooper taking the chronology with the change that North
25 had suggested presumably at that meeting that triggered

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1 his concern that Casey was about to give false testimony.

2 Q Okay.

3 A That's my understanding.

4 Q Just so we're clear about this, let me mark as
5 Exhibit 4 that one-page chronology of CIA involvement.

6 (The document referred to was
7 marked Gates Exhibit Number 4
8 for identification.)

9 Is this the one-page insert you've been
10 discussing?

11 A Yes.

12 Q Can you identify for me the handwriting that
13 you recognize on that exhibit?

14 A The handwriting in the second and fifth
15 paragraphs is Casey's. The factual correction in the
16 very last paragraph, crossing out February and
17 substituting November, I believe is my writing. I do not
18 recognize the other writing.

19 Q So that I understand you, as the Agency has
20 been able to reconstruct this, the last draft of Director
21 Casey's proposed testimony that contained the phrase "no
22 one in the USG" was a draft prepared by the Operations
23 Directorate sometime prior to the 20th of November?

24 A Yes.

25 Q And that it was Director Casey who, in

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1 reviewing that draft, took out the reference "No one in
2 the USG"?

3 A That is the reconstruction and believe of Mr.
4 McCullough, who basically superintended the effort.

5 Q And that when you went to the meeting on the
6 20th this one-page insert, it was not the intention of
7 you and Director Casey that this one-page insert be
8 included in the Director's testimony?

9 A No, I don't believe so. And in fact it is
10 worth noting that the draft itself before the handwritten
11 change said we in CIA did not find out that the airline
12 had hauled HAWK missiles. It did not say no one in the
13 USG. That change was made, presumably, in the meeting.

14 Q The last factual area I have questions about
15 is after the meeting on the 20th at the White House do
16 you recall where you and Director Casey went?

17 A My recollection is that immediately after the
18 meeting Casey and I split up and I went back to North's
19 office with him because he said that he had a new copy of
20 the chronology or wanted to give me a copy of the
21 chronology. I was in his office perhaps five minutes
22 while he made a copy, and I immediately left. I don't
23 know where Director Casey went. I think I've been told
24 that he went to his Old Executive Office Building office.

25 Q In any event, you split up and you went back

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1 to headquarters?

2 A Yes.

3 Q Did you attend a meeting at CIA headquarters
4 to discuss the proposed testimony?

5 A Yes. We convened a meeting at 4:00 to discuss
6 the testimony, and I think that the kindest word to
7 describe that meeting was "pandamonium". There were
8 probably 15 or 16 people in the room, including everybody
9 who had had anything to do with any of this -- Mr.
10 Clarridge, a variety of lawyers, the Congressional
11 people, people from the clandestine service, Mr. Allen
12 and so on.

13 And Mr. Casey basically ran the meeting, going
14 through, making changes in the testimony, updating and
15 changing things we weren't sure of. People were passing
16 comments and conversations, and Casey was tearing off
17 pages and it was just mass confusion. During the course
18 of that there were a lot of questions. Now that's
19 basically what I remember of that meeting.

20 Mr. George and Mr. Dougherty, Deputy Director
21 for Operations and the General Counsel, remember an
22 exchange that I did not recall, and frankly do not recall
23 to this day, but it seems germane and I will mention it.
24 It is worth noting also that everyone at that meeting has
25 been polled with respect to this exchange and no one else

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1 at the meeting remembers the exchange except these two
2 gentlemen.

3 So with that by way of background --

4 MR. BARBADORO: Off the record for a second.

5 (A discussion was held off the record.)

6 THE WITNESS: According to Mr. George and Mr.
7 Dougherty there were a number of questions being fired
8 back and forth about did you know this, did you know
9 that, and so on and so forth. And at one point,
10 according to this version -- and I guess harkening back
11 to the memorandum that I had gotten on the first of
12 October from North and that we had given to Poindexter --
13 I'm sorry, from Allen and that we had given to Poindexter
14 -- I turned to Casey and said do you have any knowledge,
15 according to this account, do you have any knowledge of
16 any kind of diversion, or words to that effect.

17 And the General Counsel Dougherty then spoke
18 up and said yes, there has been some speculation to that
19 effect. And Casey said words to the effect, no, I don't
20 know anything about that. And that was the end of the
21 exchange. And, as I say, when I was asked in February
22 whether there had been any discussion of the diversion in
23 the preparation of Mr. Casey's testimony I did not
24 remember that.

25 Q And you still don't?

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1 A And I still don't remember it. But because
2 two of the 15 or 16 people in the room recall the same
3 thing, it is probably worth putting on the record.

4 Q So that this is also clarified, if he did say
5 something about the diversion, what would have been the
6 basis of your knowledge about diversion?

7 A It would have been going back to Mr. Allen's
8 memorandum, because at that point that was the only piece
9 of information that I had received suggesting that there
10 might have been a diversion.

11 Q That's all I have on facts. I have a number
12 of policy issues I want to raise with you. If we could
13 take a break for about five minutes, it will take maybe
14 45 minutes and we'll be done.

15 (A brief recess was taken.)

16 MR. BARBADORO: Back on the record.

17 BY MR. BARBADORO: (Resuming)

18 Q Mr. Gates, one of the things the Committee is
19 really looking for help on is trying to make an
20 assessment of what went wrong here and what changes we
21 can make to be sure that these kinds of things don't
22 happen in the future.

23 I would begin by asking you a very general
24 question about what you thought went wrong with the Iran
25 initiative and in general what kind of changes you feel

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1 we need to make to prevent these kinds of things from
2 happening in the future.

3 A It's a very bureaucratic answer, but it has in
4 some respects perhaps taken the Iran-Contra affair to
5 make bureaucracy look good. The fact is that what
6 basically went wrong here was that every element of
7 regular policy process and procedure was ignored and
8 bypassed -- ignored or bypassed.

9 If those procedures had been followed, I think
10 there would have been -- perhaps the decision still would
11 have been made to go ahead, but it would have been
12 carried out, the enterprise would have been carried out
13 in a way in which the safeguards that are built into the
14 system would have been applied.

15 I don't think you would have ended up with
16 private individuals involved. We know how, you know.
17 It's a common problem. When somebody has something you
18 want and you are going to pay for it and you don't trust
19 them, how do you get in your hands something at the same
20 time he gets his in hand, what he wants? And
21 operationally that's an easy problem. We do that all the
22 time.

23 So there's no need to go out and raise private
24 funds, a private bridge loan on behalf of the United
States Government to carry out this kind of affair. And

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1 if you just pick out the financial aspect of it, you
2 might still have had a misguided and a wrong policy but
3 you certainly would not have ended up with possible
4 criminal behavior and the kind of mistrust that has been
5 sewn within the government, both in the Executive and in
6 the Legislative, by this undertaking.

7 So it seems to me -- I read in the paper
8 somewhere the other day that someone was saying it really
9 was not a problem of process or of procedure but, rather,
10 of personalities and the failure to abide by the process.
11 And it seems to me that if there is any remedy to
12 safeguard against what happened happening again, it is to
13 build into the structure some mechanism that prevents the
14 entire structure from being ignored again.

15 Q Let me ask you some specific questions about
16 that. You mentioned the use of private financiers to
17 obtain the money for this bridge loan. In your opinion,
18 is that a proper way to obtain financing for covert
19 activities?

20 A Absolutely not. I think the involvement of
21 private individuals secretly raising money for the
22 implementation of American foreign policy is a highly
23 dangerous undertaking. It's an invitation to trouble.

24 Q I take it, then, your answers would be the
25 same to the question of whether it was a good idea to

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1 involve private parties such as Secord and Hakim in the
2 operational aspect of the Iran initiative.

3 A Sometimes it is necessary in covert operations
4 to involve private individuals, but when that happens it
5 is done with a number of safeguards built into the
6 system, a number of checks to ensure that those
7 individuals understand the ground rules and that they are
8 carefully monitored, and that they follow the rules.

9 What happened here was the worst of all
10 possible worlds, engaging private individuals without any
11 effective management of what they were doing.

12 Q Perhaps this is an obvious point, but Colonel
13 North testified that he wasn't able to tell how much
14 money was diverted to the contras, how much profit Secord
15 and Hakim were taking on this transaction, or how much
16 money was being set aside for reserves or how much was
17 needed for operational expenses.

18 Is this the kind of thing you are referring to
19 as one of the problems that you see in this initiative?

20 A Sure. As I said, it's just an invitation to
21 trouble.

22 Q What about using Ghorbanifar? Do you think it
23 was a mistake to use someone like Ghorbanifar in this
24 initiative?

25 A Well, again Ghorbanifar himself almost

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1 certainly, but the fact is that in clandestine or covert
2 operations, particularly if you are dealing with arms
3 dealers or you are trying to penetrate or do operations
4 against terrorist organizations or drug trafficking
5 organizations, you can't get inside those kinds of
6 organizations with Boy Scouts, and so sometimes in this
7 business you have to deal with people of highly dubious
8 character.

9 But again it's like the use of any private
10 individual. If it's fully within the system, there are
11 safeguards built in. There are clear understandings of
12 what the rules are, and there are very tight reins held
13 on such people, and if they won't play by our rules, then
14 we don't use them.

15 Q Does the Central Intelligence Agency have the
16 capacity to carry on covert initiatives like the Iran
17 initiative without the use of private parties like Secord
18 and Hakim?

19 A Well, this is a question that I know that
20 Director Webster would like to answer, and I would just
21 say -- and I'm sure he agrees -- that that is certainly
22 the case. We can and do carry out successful covert
23 actions -- and, I might add, with Congressional oversight
24 -- without difficulty.

25 Q I'd ask you to be critical of your own Agency

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1 for a minute and tell me what you think the CIA did wrong
2 in this initiative and what you think needs to be changed
3 within the Agency as a result of what you see went wrong.

4 A Well, the biggest mistake that I think was
5 made at CIA -- there are a number of minor tradecraft and
6 other problems, it seems to me, but the biggest mistake
7 that was made was to acquiesce in participation in an
8 operation in which we were half in and half out, in which
9 others were holding all the reins, in which others had a
10 great deal more knowledge about various aspects -- for
11 example, the financial aspects -- than our officers did.
12 And so we were basically at their mercy in the sense of
13 whether there were any improprieties involved because we
14 didn't have full information on what was going on, the
15 officers that were participating from the Agency.

16 So it seems to me that this acquiescence was a
17 major problem as far as I am concerned. Unfortunately,
18 this case was probably like others in that experience is
19 probably the best teacher, and my guess is that it will
20 be a long time before anybody acquiesces in that kind of
21 thing again.

22 The dangers to the Agency and to the
23 government are quite clear and, quite frankly, I think
24 that under the circumstances, you know it sounds a little
25 bit preachy, but the fact is that in an operation that

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1 had a lot of things wrong with it and some highly
2 questionable activities, the Agency's performance,
3 particularly in the Iranian part, basically was carried
4 out competently and without violating any rules, without
5 anybody straying across the line in terms of the rules
6 for us.

7 But, frankly, as far as I'm concerned, it was
8 a near thing and we were very lucky.

9 Q Charlie Allen, for a time, became in effect a
10 case officer for Ghorbanifar. In retrospect do you think
11 it was a mistake to allow a National Intelligence Officer
12 to become as involved in an operation as Charlie Allen
13 did in this initiative?

14 A We made a management mistake when the
15 [REDACTED] was created in double-hatting Mr.
16 Allen as the National Intelligence Officer for
17 Counterterrorism and also making him one of the two
18 deputies [REDACTED] So management
19 itself created an environment in which he could play a
20 dual role -- on the one hand doing estimates and analysis
21 and on the other hand being in a place where legitimately
22 he might be involved in operational activities.

23 One of the results of that, though, was a
24 classic situation in which both of his immediate
25 supervisors half the time thought he was working for the

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1 other guy, so that there was not nearly as tight a
2 management rein by his immediate supervisors on Mr.
3 Allen's activities as would have been the case with
4 somebody else.

5 And, frankly, based on Mr. Allen's testimony
6 that problem was compounded by the fact that Mr. Casey
7 apparently dealt directly with Mr. Allen and authorized
8 him to participate in some of these activities directly.
9 But it is not necessarily a bad thing for an intelligence
10 analyst to move over to the Directorate of Operations and
11 become involved in operational activities. But we should
12 not allow again a situation to develop in which we have
13 somebody trying to do both of those things at the same
14 time.

15 It raises dangers to the integrity of the
16 analysis side of the house, and it also, without adequate
17 supervision on the operational side, runs some of the
18 obvious dangers of somebody getting in over his head.

19 Q I believe it was Mr. Hakim testified that he
20 had to be used as a translator in the Iran arms
21 initiative at some point because there was an absence of
22 CIA officials that were fluent in Farsi.

23 MR. WOODCOCK: That was the Frankfort meeting,
24 February 25, 1986.

25 BY MR. BARBADORO: (Resuming)

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1 Q Is there any truth to that statement, that we
2 had to involve a private citizen as a translator because
3 the CIA didn't have the personnel to do the job?

4 A Well, our halls aren't exactly overflowing
5 with people who speak Farsi, but the fact is if we had an
6 operational activity in which Farsi was required we would
7 have the officers to carry it out.

8 Q It's my understanding that Mr. Cave was in
9 Frankfort at the same time that that meeting where Mr.
10 Hakim acted as translator occurred [REDACTED]
11 [REDACTED] Do you know whether that's true?

12 A I don't know.

13 MR. WOODCOCK: Let me just state for the
14 record, because we recently received information from CIA
15 on this and I've spoken to George Cave on it, George Cave
16 advised me that he believed he was in Frankfort at the
17 time and in any event, had he been given any kind of
18 notice, could have made it to the meeting.

19 We have recently received a letter from John
20 Rizzo's office, and that was based, I think, on checking
21 with [REDACTED] that [REDACTED] was not consulted on the
22 availability of a CIA Farsi speaker and therefore CIA
23 just wasn't asked. There had been representations to the
24 contrary.

25 THE WITNESS: I also happen to believe that if

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1 it were for a high enough priority that we would not have
2 needed to bring back an annuitant either.

3 BY MR. BARBADORO: (Resuming)

4 Q Secretary of State Shultz, in his testimony,
5 recommended a separation between intelligence and policy.
6 What's your feeling on that recommendation?

7 A Well, I think that first of all in principle I
8 cannot disagree with the notion that there has to be a
9 clear separation between intelligence and policy. I will
10 offer my personal opinion, however, that the Secretary
11 allowed his views of Mr. Casey to, in my opinion,
12 influence his overall comments on intelligence as a
13 whole.

14 The fact is that all of the intelligence
15 published by CIA, finished intelligence assessments and
16 analysis published by CIA or National Intelligence
17 Estimates, are provided to the two Intelligence
18 Committees of the Congress. Most of those materials are
19 also provided to the Armed Services Committees, the
20 Appropriations Committees, and the Foreign Relations
21 Committees.

22 So there is an ample number of people even
23 outside the Executive Branch to scrutinize intelligence
24 and point out if they think that it has been skewed.
25 There are a number of safeguards that protect against the

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1 politicization or skewing of intelligence. I may be
2 wrong, but we take a fair amount of pride in trying to be
3 objective.

4 Ironically the charge is often made that where
5 the intelligence is most suspect, where intelligence
6 assessments are most suspect, is in areas where the
7 Agency is running covert operations. The reason I say
8 ironically is because those are probably the areas where
9 we work the hardest to keep them separate and to be
10 objective, precisely because we know that there will be
11 tremendous scrutiny of the analysis on those subjects.

12 That said, it is obviously important to ensure
13 that intelligence assessments do not stray across the
14 line from being descriptive into being prescriptive and
15 recommending policies or pushing policies. And here
16 there is a parallel, it seems to me, with the operational
17 side.

18 There is a document about Iran and terrorism
19 that has attracted a good deal of criticism in this
20 investigation that in effect Iran had backed away from
21 support of terrorism or something like that. That paper,
22 when it was originally issued and created such a stir,
23 was prepared by two or three individuals outside the
24 system, if you will, and as soon as the rest of the
25 institution learned about that paper it was recalled and

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1 redone and reissued.

2 So that when the institution is involved all
3 the safeguards come into play and it doesn't matter
4 whether it's analysis or operations. It's when people
5 try to bypass the system and do things in an ad hoc kind
6 of way that sometimes you can end up with difficulty.

7 MR. BARBADORO: Tom Polgar has discussed this
8 general area with me and, if you don't object, I'd like
9 to give him an opportunity to just ask a couple of
10 questions on this point.

11 MR. POLGAR: I just really have one question.
12 The problem seems to be that after the finished
13 intelligence is completed the Director disregards it and
14 presents something entirely different which indeed is
15 very prescriptive. For example, in December 1985 the
16 Directorate of Intelligence put out a very excellent
17 summary of the situation in Central America -- objective,
18 comprehensive, presumably based on the intelligence
19 available to them.

20 Nine days later the Director gives a briefing
21 to the National Security Council which is totally
22 different both in tone and in direction to that DDI
23 information. And there, it seems to me, is one of those
24 points where criticism can be raised that the policy or
25 an attempt was being made to influence policy. Are you

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1 aware of that particular incident?

2 THE WITNESS: No.

3 MR. POLGAR: I'll get the papers to you.

4 THE WITNESS: I think that the Director of
5 Central Intelligence is always entitled to his own
6 opinion. I recall, for example, that the entire
7 analytical element of CIA in the summer of 1962 was
8 convinced that the Soviet Union would not put missiles in
9 Cuba and Director McCone was convinced that they would.

10 And when he was asked by the President why in
11 the absence of any evidence to that effect, he said
12 because if I were Khrushchev that's what's I'd do. He was
13 right and all the analysts were wrong. So don't discount
14 or constrain the opportunity of a Director of Central
15 Intelligence to offer some view.

16 But, by the same token, I believe that the
17 Director -- and I would add the Deputy Director -- have
18 an obligation when they are offering their own opinion to
19 make clear it is their own opinion and if it disagrees
20 with the general view of the intelligence community or
21 CIA analysts to make that explicit.

22 BY MR. BARBADORO: (Resuming)

23 Q Let me ask you about a different area. Are
24 you satisfied with the way the Inspector General system
25 has worked in this case?

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1 A Well, I know that there's been some concern
2 about the Inspector General's effort and, frankly, I wish
3 that some of the things that they have learned in the
4 late spring they had learned earlier, in January and
5 February.

6 That said, it is, I think, a fact that it was
7 the Agency's Inspector General that developed the story
8 of what had happened [REDACTED]
9 and provided that information both to the Iran-Contra
10 Committees as well as the Independent Counsel. So they
11 developed information that, as I understand it, others
12 had not developed in terms of potential wrongdoing down
13 there. So it's hard to fault their investigative skills
14 in that respect.

15 A larger question is whether the Inspector
16 General, the Office of Inspector General, plays a
17 prominent enough role in the Agency and whether across
18 the board it has the caliber of people that it ought to
19 have. I believe that those are questions that Director
20 Webster will be addressing in the coming months.

21 Q The last area that I wanted to go over is
22 something that Colonel North raised in his testimony. He
23 admitted in his testimony before our Committees that he
24 lied and misled Congress and certain Executive Branch
25 officials and he offered as a justification for his lying

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1 and misleading his concern that the Congress couldn't be
2 trusted, that it would leak, and that those leaks might
3 endanger lives.

4 In your mind, is there ever a justification
5 for Executive Branch officials to lie or mislead the
6 Congress about covert activities?

7 A I do not believe anybody from the Executive
8 Branch should ever lie to the Congress. If there is
9 sensitive information that cannot be shared, if there is
10 an undertaking that cannot be revealed, if it's a public
11 session, you know, perhaps. I don't know.

12 But as a general rule I think that lying to
13 the Congress is just wrong. And I would add there's been
14 a great deal of focus on the way that lying fractured the
15 trust between the Executive Branch and the Legislature.
16 But I would point out that the lying also fractured trust
17 within the Executive Branch and did a great deal of harm.
18 It created tremendous tensions between the Agency and the
19 Department of State. It created tensions within CIA and
20 its people who felt they in the aftermath should have
21 been included and were not, their views sought, and they
22 were not.

23 People in the Agency have had to contemplate
24 that people that they thought were upstanding and honest
25 people whom they trusted both within the Agency and at

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1 the White House lied to them. In some cases one has to
2 contemplate the possibility that people that one trusted
3 a great deal lied.

4 And I've been in the government for over 20
5 years and this episode -- and I worked on the National
6 Security Council staff under three different Presidents,
7 and this is the first time that I've known of in my
8 career that I've ever been lied to, just flat out. Every
9 bureaucrat is familiar with evasions and half-truths and
10 so on, but this is the first time that I have ever been
11 flat-out lied to, and it has a significant effect, and it
12 is true in spades in the relationship between the
13 Executive and the Congress.

14 There are enough areas where those two come
15 into conflict that unless there is some sense of trust
16 then the whole thing is going to collapse because there
17 is no room for compromise or giving the other fellow the
18 benefit of the doubt if there is no trust.

19 MR. WOODCOCK: Mr. Gates, I have just a couple
20 of questions, if I may.

21 BY MR. WOODCOCK:

22 Q When we were off the record you made a
23 reference, I think, to the G. Gordon Liddy rule, which,
24 if I can summarize it and you can tell me if I'm wrong,
25 is a rule that is imposed on the CIA whereby if it

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1 receives a request for assistance from the NSC that
2 assistance is not to be rendered without the approval of
3 either the DCI or the DDCI; is that correct?

4 A It is. Well, first of all, it's an internal
5 Agency regulation, and I think the actual regulation
6 reads "the White House office."

7 Q And you read that to apply to the NSC?

8 A I read that to include the NSC.

9 Q Why is it, then, if you have an understanding
10 of it, that that rule was not either known or observed
11 over the weekend of 11/23/85?

12 A The rule was passed in the aftermath of
13 Watergate. Can we go off the record a second?

14 (A discussion was held off the record.)

15 THE WITNESS: I think that the turnover in the
16 Agency has been so great and people moving up through the
17 ranks rapidly enough I would be willing to wager -- and I
18 have not asked the question, but I would be willing to
19 wager -- that those involved in this enterprise did not
20 even know that rule existed.

21 BY MR. WOODCOCK: (Resuming)

22 Q That brings up the next question. What is it
23 in the process that wouldn't familiarize them with this
24 kind of a rule?

25 A Well, there is, I believe, a regulation that

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1 requires that virtually every Agency employee on an
2 annual basis or every 18 months read [REDACTED] which is
3 the kind of set of by-laws. They extend far beyond this.
4 It involves a number of things. It's basically the set
5 of rules that engage the Agency, and, frankly, I think
6 that has become something that has been done by rote in
7 the sense that people sign off and say that they've read
8 them and perhaps they haven't or they just don't do it.

9 One of the things that I've taken out of this
10 whole thing, and particularly with reference to this
11 particular episode, is that we are in the process of
12 revising [REDACTED] It's been several years since it's
13 been updated and when that's done my notion is to give a
14 copy of it to every manager in the building and every
15 training course would provide another copy to make it
16 something that is just kind of right on the desk and
17 something that is continually brought to people's
18 attention.

19 We're also trying to write it in English so
20 that it's not so difficult to pore through.

21 Q We wish you luck in that endeavor. The other
22 question that I have also arises out of some discussion
23 that we had off the record, or at least at break time.
24 And it corresponds to testimony that you gave before the
25 Tower Board. Let me just read this portion of the Tower

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1 Board testimony to you.

2 You are speaking and the context is a question
3 about the November '85 flight and whether a Finding was
4 required, and you are saying that the understanding is
5 that John -- meaning John McMahon -- had attended a
6 meeting with McFarlane in mid-November at which McFarlane
7 had laid out some of the aspects of this transaction with
8 the Iranians. Therefore, when John learned that the
9 flight had taken place on Monday, the 25th, it was based
10 on his knowledge from mid-November that he believed that
11 a Finding was required.

12 First let me ask you if you agree with that.

13 A Yeah, that's my general recollection.

14 Q How what I wanted to ask you is on what was
15 your understanding based that John McMahon had linked
16 these two events, the briefing from McFarlane and the
17 subsequent flight?

18 A Just in reading the documents as the
19 investigations proceeded and as the Inspector General's
20 chronology and so on, seeing that John had participated
21 in the earlier meeting where the larger aspects of the
22 Iran affair were discussed led me to the supposition. I
23 have not discussed it directly with John, but I made that
24 supposition that that was one of the reasons that he knew
25 that it was something other than Red Cross kits.

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1 Q I see, but he never confirmed that to you one
2 way or the other?

3 A No.

4 Q And then the last question I guess is
5 something of a philosophical question, and that is you
6 referred to one of the criticisms that you have of the
7 Agency and its involvement in the Iranian initiative was
8 that it acquiesced in NSC leadership and didn't assert
9 itself enough in overseeing the operation once it was
10 involved.

11 To what do you attribute that acquiescence?
12 How did it happen?

13 A Well, I think that foremost responsibility for
14 that would have to be laid at the Director's doorstep.
15 If there would have been any individual who was aware of
16 what was going on and would have asserted both the
17 advisability as well as the bureaucratic responsibility
18 in those sessions, it would have been the Director.

19 Q Failing that and going down the line, taking,
20 for example, Clair George, head of DO?

21 A My own view is that while the Director has the
22 responsibility ultimately I guess that I would say that
23 the whole chain of command back in the fall of 1985, when
24 this thing got under way, should have pressed harder for
25 the Agency to be either all the way in or all the way

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1 out.

2 Q Do you have a feel for why it is that the
3 whole chain of command failed in that way?

4 A I really don't. I just don't know.

5 MR. BARBADORO: Thank you very much, Mr.

6 Gates.

7 MS. DORNAN: Do we have time for one or two
8 more?

9 BY MS. DORNAN:

10 Q I wanted to ask you in retrospect about the
11 quality of U.S. intelligence on Iran and to what extent
12 you felt failures in intelligence helped along this
13 process.

14 A I think that's a bad rap. I think the
15 intelligence was good. The problem is, the intelligence
16 was ignored. The Directorate of Intelligence turned out
17 a series of first-rate assessments of internal Iranian
18 politics in both 1985 and 1986, and the fact is that some
19 of the people involved in this preferred to believe the
20 intelligence they were being given by a foreign
21 government rather than that of their own intelligence
22 service -- at least that's my opinion.

23 Q Some of them have testified that the DCI
24 himself said that our intelligence on Iran was not very
25 good, that he didn't feel we had enough sources to be

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1 sure of our analysis. Your opinion simply differs from
2 that?

3 A I believe that in terms of the overall
4 assessment of factionalism within the Iranian government
5 that we had a pretty accurate appraisal of what was going
6 on at the time, and that appraisal specifically
7 indicated, for example, that on internal political
8 matters, on internal matters there was indeed a
9 moderate/pragmatic faction. But that applied only to the
10 management of the economy and the degree to which the
11 mullahs ought to be in charge.

12 And with respect to the war policy that
13 intelligence made very clear that there were no moderates
14 in Iran when it came to the United States.

15 Q My second question then is it seemed clear to
16 me when I was doing interviews out at the Agency -- and
17 this may not be on depositions, but it was in the
18 interviews -- that people at the lower level in the DO
19 who originally were very skeptical about this,
20 particularly when Ghorbanifar was involved, became
21 believers by July, August, September, and actually felt
22 we were getting someplace with the strategic opening at
23 that point.

24 They actually did support the Administration's
25 initiative and they felt that one of the worst things

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1 that had happened was that when we needed the influence
2 we no longer had it because of this big domestic row we
3 were having. Is that your view of the Agency's analysts
4 views also, or do you think that's incorrect?

5 A I think just based on my brief conversations
6 with some Agency analysts⁵ several months ago my
7 impression is that their view was that the policy was
8 based on a false premise, that there were moderates in
9 the Iran that in the factional struggle were genuinely
10 interested in an opening to the United States.

11 I think it is their view that this was not the
12 case, that those with whom the United States was dealing
13 were interested primarily in a means of obtaining arms
14 and basically just suckered us.

15 Q Is there any difference between DO and DI in
16 this regard?

17 A Well, I haven't talked to the lower level
18 people in the DO, so I don't really know.

19 Q That was really where I got this analysis.

20 A I haven't talked to them, so I really can't
21 speak to it.

22 BY MR. BARBADORO: (Resuming)

23 Q Let me follow up on one point that was raised
24 about ignoring CIA intelligence. Let me mark this as
25 Exhibit 5.

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(The document referred to was marked Gates Exhibit Number 5 for identification.)

This is the January 17, 1986, memorandum to the President from John Poindexter that was used to brief him in preparation for signing the covert action Finding on Iran. There are two points in here I just wanted to get your opinion on. There's a statement in here saying: "The Israelis are very concerned that Iran's deteriorating position in the war with Iraq, the potential for further radicalization in Iran, and the possibility of enhanced Soviet influence in the Gulf all pose significant threats to the security of Israel."

I want to ask you a question about that first statement. Was it the position of the Central Intelligence Agency in January of '86 that Iran's position in the war with Iraq was deteriorating?

A Not at all. In fact, I think that our view at the time was that that approach was a crock, that in fact in 1986 we were worried about steady Iranian gains and what appeared to be both Iraqi military problems and declining Iraqi morale. That was one of the reasons why we were so opposed to providing the Iranians with intelligence.

In our view, the intelligence was more

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1 dangerous than the weapons because we felt that, you
2 know, there was the back and forth of battle, but overall
3 over the last several years, last three years, say, there
4 has been a slow but steady forward movement by the
5 Iranians that was interrupted for only a brief period,
6 for about three or four months, in the fall of 1986 by a
7 successful Iraqi air campaign.

8 Q The second statement I wanted to ask you about
9 in the memorandum refers to moderates. It says: "The
10 Israeli plan is premised on the assumption that moderate
11 elements in Iran can come to power if these factions
12 demonstrate their credibility in defending Iran against
13 Iraq and deterring Soviet intervention."

14 Do I understand you correctly that you believe
15 it is misleading to refer to these elements in Iran as
16 moderate elements?

17 A Yes, with respect to the United States.

18 Q Would you agree, then --

19 A It's not misleading. It's wrong.

20 Q Would you agree, then, that these two
21 statements, to the extent the President relied on them in
22 signing the covert action Finding on Iran, was relying on
23 information that was incorrect?

24 A Well, it may well be correct that that was the
25 Israeli view. That was not our view of the situation.

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1 To the degree that a proposal was being put before the
2 President, the views of the Central Intelligence Agency
3 on internal developments in Iran were not reflected.

4 MR. BARBADORO: Thank you, Mr. Gates.

5 MR. WOODCOCK: I've just got one final one, I
6 promise.

7 BY MR. WOODCOCK: (Resuming)

8 Q There is a PROF note in the Tower report from
9 North where he refers to the last exchange of
10 intelligence that he gave to the Iranians in October of
11 '86. And he describes it as a mixture of factual and
12 bogus intelligence. Are you aware of any faked
13 intelligence being passed over to the Iranians?

14 A Well, what we tried to do from the beginning,
15 when I was really more directly involved with the
16 passages through May, I guess, and really never saw the
17 later ones, what we tried to do was -- well, after we
18 were overruled and had to prepare the stuff, we tried to
19 generalize it to the point that it would minimize its
20 value to the Iranians, except for the materials on [REDACTED]

21 [REDACTED]
22 [REDACTED] and so on, that was
23 pretty accurate information.

24 My understanding is that a good deal more
25 specific information was requested and made available in

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1 October of 1986. I have not thoroughly investigated it,
2 so this is just an impression. My sense is that the
3 analysts who prepared it thought that while they tried to
4 generalize it that it was accurate, but I have heard the
5 opinion expressed that some of the information may have
6 been altered subsequent to that, to when it left the
7 analysts' hands, and I've never been able really to run
8 that to ground. But I have heard that.

9 So I don't really know the answer to the
10 question, but that's what I've heard.

11 Q And what you've heard, does it suggest whether
12 that later alteration, if it occurred, was done within
13 CIA or somewhere else?

14 A I don't know whether it was done within the
15 Directorate of Operations or at the NSC, but again in an
16 effort, I think, to try and limit the value of the
17 information.

18 MR. RIZZO: Before we break up, let me just
19 make a request. As you know, Mr. Gates is going away for
20 three weeks. I would request that there be no steps
21 taken to cause a declassification of his deposition.

22 MR. BARBADORO: We wouldn't release it until
23 we give him an opportunity to review what we are
24 releasing.

25 Thank you, that's all I have.

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1 (Whereupon, at 4:21 p.m., the taking of the
2 instant deposition ceased.)

3 _____
4 Signature of the Witness

5 Subscribed and sworn to before me this _____ day of
6 _____, 1987.

7 _____
8 Notary Public

9 My Commission Expires: _____

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CERTIFICATE OF REPORTER

I, MICHAL ANN SCHAFER, the officer before whom the foregoing deposition was taken, to hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn by me; that the testimony of said witness was taken by me to the best of my ability and thereafter reduced to typewriting under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken, and further that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.

Michal Ann Schafer

Notary Public

in and for the District of Columbia

My Commission Expires: February 28, 1990

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THE DIRECTOR OF
CENTRAL INTELLIGENCE

National Intelligence Council

14 October 1986

DDCI

Attached is a memorandum on problems that I see with our initiative towards Iran. Also included are a number of recommendations that I believe should be implemented to prevent this initiative from floundering. I have not consulted with other individuals involved on the US side, nor have I discussed it with Ollie. If you require further background, please let me know.

Charles E. Allen
NIO/CT

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THE DIRECTOR OF
CENTRAL INTELLIGENCE

National Intelligence Council

14 October 1986

DCI

Attached is a memorandum on problems that I see with our initiative towards Iran. Also included are a number of recommendations that I believe should be implemented to prevent this initiative from floundering. I have not consulted with other individuals involved on the US side, nor have I discussed it with Ollie. If you require further background, please let me know.

Charles E. Allen
NIO/CT

Partially Declassified/Released on 5/14/87
by E. [unclear] [unclear] Council

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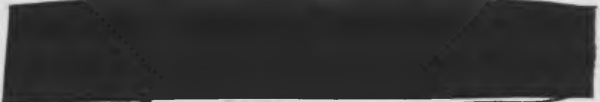
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I 0168

Objectives of the Program:

- In the short term to resolve the American hostage problem in Lebanon, through the offices of Iran, to include
 - return of all presently held American hostages, and
 - cessation of hostage-taking;
 - and to accomplish this without jeopardizing our public policy of non-negotiation with terrorists and hostage-takers.
- In the longer term to establish contacts within the Iranian Government that might test the possibility of:
 - bringing about a change in the regime in Iran (or its attitudes), thereby
 - establishing gradually a rapprochement between the United States and Iran.
- Ultimate, Strategic Objectives remain an alliance which provides:
 - containment of the Soviet Union on a crucial flank and preventing their move toward the middle east;
 - counterweight to Arab themes in the Middle East;

Problems with the Program:

For over a year the US Government -- using private and Israeli intermediaries -- has tried to resolve the hostage crisis by treating with Iranian officials; the long-term goal of eventually restoring a strategic relationship has remained in the background. The principal intermediary has been Ghorbanifar, and the principal official has been

In return for the shipment of American arms to Iran, the release of two American hostages was achieved.

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I 0189

Because the Ghorbanifar [redacted] channel, was viewed as slow and unreliable, the White House -- encouraged by Secord and Hakim -- has turned to a new channel. The new channel (c) involves an individual purporting [redacted] direct contact to Rafsanjani, Speaker of the Majlis and second most powerful man in Iran.

The [redacted] is accepted as genuine -- although his influence with [redacted] and his delegated authority are less clear.

There have been two covert meetings with [redacted] one here and one in Europe. Another meeting is scheduled for the first week in November.

- While the tone of the meetings has been generally positive, the bargaining has been tough and the negotiations difficult; closure remains elusive.

A problem that now confronts us is the disposition of the first channel, from Ghorbanifar to [redacted]. This first channel has never been shut down in a way that would limit the damage to the overall initiative. Specifically, Ghorbanifar claims he was never compensated for some of the arms shipped to Iran, arms for which he arranged the financing.

- Ghorbanifar and his creditors, including Adnan Khashoggi, appear determined to recoup their "losses", even at the risk of exposing US covert arms shipments in exchange for release of our hostages.

We have a festering sore for which no treatment has been prescribed. [redacted] has demanded that the Ghorbanifar-channel be shut down. Indeed, [redacted] claims already to have coopted [redacted]

[redacted] stated that he, and ostensibly Rafsanjani, had approved of the way [redacted] had proceeded heretofore. Notwithstanding, [redacted] has spoken of "eliminating" [redacted] sometime in the future.

Ghorbanifar appears to be harassed by his creditors, some of whom already have brought the problem to the attention of the DCI and Senators Leahy, Cranston, and Moynihan.

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- Ghorbanifar claims to have secreted, for "insurance purposes", documentation of events which have transpired so far. 1 0190

Given this, the major elements of this initiative are likely to be exposed soon unless remedial action is taken. There is no indication that the White House has a plan to prevent the exposure or a plan to deal with the potential exposure.

The Ghorbanifar [REDACTED] channel must be shut down in a way that contains potential damage to the United States.

Background:

When the initiative began, National Security Advisor MacFarlane wanted to establish a channel to factions within the Iranian Government with which the United States might eventually deal, and which might secure incidentally the release of the American hostages in Lebanon.

Israeli officials like David Kimke put the White House in contact with Ghorbanifar. Working with Jacob Nimrodi and other Israeli entrepreneurs, Ghorbanifar introduced US intermediaries like Michael Ledeen to key Iranian officials including [REDACTED]. Ghorbanifar also established a direct link to [REDACTED] Prime Minister's Office. A series of meetings ensued with negotiations sometimes appearing highly positive, sometimes near-disastrous.

- One hostage was released in September, 1985, as a result of this channel.
- A breakdown occurred in Geneva, in late November 1985, when the Iranians accused the other side of knowingly delivering the wrong version of Hawk missiles to Tehran -- an accusation we believe and for which we blame Nimrodi, if not Ghorbanifar.

Progress appeared dramatic in May 1986 when a US delegation led by MacFarlane secretly visited Tehran. The results, however, were disappointing. The Iranians were not prepared to deal directly with so high level a delegation. Still, another hostage was released subsequently, in late July.

Another channel, potentially more promising, was just then opening up through private efforts by Albert Hakim and Dick Seccord. Through a London representative of the Iranian Government, [REDACTED] a meeting was held in late August in

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Brussels with [REDACTED]

[REDACTED] in turn, led to two meetings between the [REDACTED] and US officials, one meeting in Washington, the other in Frankfurt.

Ghorbanifar's Alleged Financial Straits:

1 0191

The Ghorbanifar-[REDACTED] channel is technically "on hold." Clearly, however, it is being supplanted by the Hakim-[REDACTED] channel -- a fact reportedly known by [REDACTED] and presumably by Ghorbanifar.

The arms transactions in which Ghorbanifar and [REDACTED] figured required that Ghorbanifar provide the financing. The US required money in advance of any arms delivery while Tehran, previously burned by other would-be arms providers, demanded shipment before payment. Thus, it fell to middle-man Ghorbanifar to arrange the financing.

Ghorbanifar, working with Adnan Khashoggi, got some Canadian investors to lend \$15 million to finance the shipment of Hawk spare parts to Iran. Khashoggi put up collateral to cover at least part of this loan. The interest on the \$15M, repayable in 30 days, was 20%. Ghorbanifar, then, would have to pay a minimum of \$18M. These financial arrangements were made at the end of April -- before MacFarlane's visit to Tehran.

Since the loan was agreed to, Ghorbanifar claims to have been paid only \$8M. He agrees that he received \$4M at the end of July following the release of Father Jenco. He claims, without proof, that only \$3M can be applied to repayment of the loan, the other \$1M being related to a separate transaction with [REDACTED]. Ghorbanifar admits to receiving \$5M two or three weeks later, but that no additional funds have been forthcoming.

- He states he has been able to repay about \$8M to his creditors, including \$6M to one financier -- of which \$1M was interest.
- He states, too, that he paid other financiers \$2M for interest charged.

Ghorbanifar asserts that he now has a \$10-\$11 million shortfall that he cannot meet. The creditors are becoming angry and have demanded additional interest because the principal is overdue. Ghorbanifar claims to be under tremendous pressure and feels financially discredited.

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- Ghorbanifar's financial situation is murky, indeed. [REDACTED] has claimed that he paid Ghorbanifar an additional \$8M in cash, an assertion that cannot be validated.

Regardless of who is cheating whom -- and we are not likely to be able to sort out these confused finances -- we face a situation where operational security has been forgotten and no one is prepared to deal with the issue.

1 0192

Rapprochement with Iran:

The broader, strategic objective has become subordinated to the tactical matter of the American hostages in Lebanon. Notwithstanding, we have obtained useful insights into the factious government of Iran.

- [REDACTED] for example, has focussed on long-term US economic investment in Iran, in addition to arms supply.

We have not yet developed a viable plan of action to utilize this information. Talk about geo-strategic relations: it's cheap; and easy; hard options on how to accomplish this are harder to come by.

The Ghorbanifar-[REDACTED] Channel:

X/ Ghorbanifar is depressed and claims his financial situation has been damaged. On several occasions, he has said he would not sit idly by and permit himself to be made the "fall guy" in this matter. He claims to have given written accounts of all that has transpired to several persons in America and Europe. He has directed these individuals to make this material available to the press in the event that "something bad" befalls him. We believe this account would include statements to the effect that:

- the Government of the United States sold military materiel to the Government of Iran in order to gain the release of American hostages in Lebanon;
- a high-ranking US delegation met in Tehran with representatives of the Iranian government in order to discuss the future relations between the two countries, with various cooperative ventures discussed;

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- the US Government made several promises to him (Ghorbanifar) that it failed to keep; and,

ok? [- the Government of the United States, along with the Government of Israel, acquired a substantial profit from these transactions, some of which profit was redistributed to other projects of the US and of Israel.]

There is also likely to be material alleging poor judgement and shabby conduct by individuals of the US and Israeli governments.

1 0193

Recommendations:

We face a disaster of major proportions in our efforts with Iran despite the apparent promise of the Hakim- channel. Too many know too much, and exposure, at a minimum, would damage the new channel badly, perhaps fatally.

- Rafsanjani cannot permit himself to be seen as dealing directly with the "Great Satan".

But this will be a very difficult task, and it is not impossible.

- It is clear from [redacted]'s comments that he does not have total control over the Lebanese Shia holding the American hostages.

Because the risk of exposure is growing daily, the following actions are recommended:

(A) Establish a Senior-Level Planning Cell at the White House to focus on the potential for rapprochement with Iran, the appropriate channels to be used, and the separation of the tactical hostage issue from the long-term strategic objective.

This group could consist of two or three experts and should be headed by someone with the stature of a Henry Kissinger, a Hal Saunders, a Don Rumsfeld, or a Dick Helms.

The group should have access to all data concerning the ongoing initiative(s), including White House records [redacted]

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(B) Develop Press Guidance in the Event of an Exposure.

We have no coordinated press guidance on how to deal with the Iranian initiative should it be exposed publicly. Press guidance must be prepared now. At least one, possibly two major US journalists have bits and pieces of the hostage story and know that Ghorbanifar was involved in it.

- The Israelis have exposed some of this.
- Khashoggi and the Canadian financiers are complaining to influential US individuals.

We could soon have an incredible mess on our hands and damage limited only by additional news in an equally systematic manner.

1 0194

(C) Effect of Orderly, Damage-limiting Shutdown of the Ghorbanifar Channel. It is unlikely we could totally discredit any revelations by Ghorbanifar; he has too much documentary evidence that implicates US officials.

- Paris has suggested it might be found to help Ghorbanifar.
- Perhaps we can engage Ghorbanifar otherwise, in non-hostage-related projects -- say, in the area of Iranian, Libyan, and Syrian sponsored terrorism.

A small working group of those knowledgeable of the Ghorbanifar Channel should meet to consider how to cope with this problem. Clearly, there are some personal things that can be done for Ghorbanifar, for example:

- Arrange permanent alien residency for his girl friend in California.
- Arrange for visas for his family so they can visit relations in the United States, and so his mother can obtain medical treatment here.

These steps will not alleviate Ghorbanifar's financial problems -- regardless of their merit -- but may dispose him more kindly to the US Government and lessen his inclination to expose the Iranian initiative.

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*Date Excluded #2**10 Oct 86 86-4068A***UNCLASSIFIED**

EYES ONLY

10 October 1986

1 0276

MEMORANDUM FOR THE RECORD

SUBJECT: Lunch with Ollie North

1. The DCI and I had lunch with Ollie North on 9 October to receive a debriefing on his meetings in Frankfurt. During the course of the lunch, North confirmed to the DCI and to me that, based on his knowledge of the private funding efforts for the Contras, CIA is completely clear on the question of any contact with those organizing the funding and the operation. He affirmed that a clear separation had been maintained between the private efforts and all CIA assets and individuals, including proprietaries. (TS)

2. During the course of the meeting, I urged the DCI to insist on getting a copy of the Iran Finding from John Poindexter. (TS)

RG

Robert G. Gates
Deputy Director of Central Intelligence

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Declassify on:

29 June 1987

60-10655

Council

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CI By Signer
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Partially Declassified/Released on 11 Feb 88
 under provisions of E.O. 12356
 by K. Johnson, National Security Council

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16 November 1986

MEMORANDUM FOR: Deputy Director of Central Intelligence
 FROM: Director of Central Intelligence
 SUBJECT: SSCI and HPSCI Hearings re Iran

Water
 Ex. # 3
 7/31/87 mda

1. I have tentatively arranged to leave [redacted] Thursday, returning to Washington at midnight on Thursday.
2. Charlie Allen is going to do a baseline paper on Iranian terrorism and (another on the factions in Iran.) CTC
3. I need an analysis of the law on disclosures to the Congress. Leahy was sort of helpful on the Brinkley show today making it clear that there is an alternative. There was talk about three options. I see only two explicit options. The third option arises from the President's constitutional power. I need a review of how this was argued for a long time and finally resolved, and the language which would justify the President's use of constitutional power to act on his own and also give the Congress something to talk about in insisting on notice. OGC
4. It is understood that this Finding existed. Someone ought to get Stan Sporkin's recollection of the advice he gave the NSC with respect to the Finding. OGC
5. I will need also up to date information on our judgement of Syrian and Libyan support of terrorism. I will need a good up to date account of the evidence that there were Iranians acting in good faith, ongoing contacts, the availability of the T-72, all, of course, subject to security concerns. CTC
6. I will need a report on the staff briefings that will have taken place by Friday and the questions that have been asked.
7. Last, somebody should come down [redacted] with all of this information, brief me and give me time to digest it. Send word as to the time of the hearing as soon as that has been determined. I gather there will probably be a hearing in each house on Friday. Take any opportunity to extend the time but I will plan to be there Friday absence any word to the contrary.
8. Get transcripts of Meet the Press (Poindexter), Dave Brinkley, and Face the Nation (Shultz, I believe) talk shows today and send them to me as soon as practicable.
9. I will need to get up to date on details of what is happening in Teheran and in Lebanon [redacted]

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 Date 080487

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NO DATE

GATES EX. #4

SUBJECT: CIA-Airline Involvement

In late November 1985, a CIA proprietary airline was chartered to carry cargo to Iran at the NSC's request. The cargo was described to us as oil drilling spare parts. Although we did not know it at the time, the cargo was actually 18 Hawk missiles. The chronology of the incident is as follows:

On 22 November 1985, the NSC contacted the Agency with an urgent request for the name of a discreet, reliable airline that could transport bulky oil-drilling parts to an unspecified destination in the Middle East.

We offered the name of the CIA's proprietary airline as a company which could handle the NSC request. The NSC passed the name of our airline to ~~their intermediary with the Iranians~~
the Israelis.

In the interim, we contacted our airline and told them that they would be receiving an urgent, legitimate charter request. The NSC intermediary contacted the airline that evening (22 November) and made arrangements for the airline to pick-up the parts in [REDACTED] *operated by the propeller*

The destination was changed to Tel Aviv and two of ~~our~~ *airline's* Boeing 707's arrived in Tel Aviv 23 November. The cargo was ultimately loaded onto only one of the aircraft. Loading was completed by 24 November and the aircraft proceeded to Iran via a stop at [REDACTED] and then overflying [REDACTED]. At the NSC's request, and for the protection of our aircraft, we helped arrange for the overflight clearances..

To the best of our knowledge, ~~the intermediary did not know~~ *neither Israelis nor the Iranians know* that they were dealing with a CIA proprietary, nor did airline personnel know what they were carrying. ~~we were not to find out~~ *we were not to find out* that our airline had hauled Hawk missiles into Iran until mid-January when we were told by the Iranians.

The airline was paid ~~the~~ *by the Israelis* normal commercial rate which amounted to approximately \$127,700. I should stress that the airline does a considerable amount of normal business in addition to its support to CIA. It had, in fact, made ~~another unrelated~~ *legitimate* flight into Tehran carrying commercial items prior to the 22-25 November incident.

Senior CIA management found out about the flight on 25 ~~November~~ *February*. Although we did not know the nature of the cargo, we thought that any future support of this type to the NSC would require a Finding.

Partially Declassified/Released on 23 June 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

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17 JAN 86

Date Exhibit 5

Regan Exhibit #3

2/3/87

approved

~~TOP SECRET~~

THE WHITE HOUSE

N 10046

WASHINGTON

~~TOP SECRET~~

January 17, 1986

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM:

JOHN M. POINDEXTER *JP*

SUBJECT:

Covert Action Finding Regarding Iran

Prime Minister Peres of Israel secretly dispatched his special advisor on terrorism with instructions to propose a plan by which Israel, with limited assistance from the U.S., can create conditions to help bring about a more moderate government in Iran. The Israelis are very concerned that Iran's deteriorating position in the war with Iraq, the potential for further radicalization in Iran, and the possibility of enhanced Soviet influence in the Gulf all pose significant threats to the security of Israel. They believe it is essential that they act to at least preserve a balance of power in the region.

The Israeli plan is premised on the assumption that moderate elements in Iran can come to power if these factions demonstrate their credibility in defending Iran against Iraq and in deterring Soviet intervention. To achieve the strategic goal of a more moderate Iranian government, the Israelis are prepared to unilaterally commence selling military materiel to Western-oriented Iranian factions. It is their belief that by so doing they can achieve a heretofore unobtainable penetration of the Iranian governing hierarchy. The Israelis are convinced that the Iranians are so desperate for military materiel, expertise and intelligence that the provision of these resources will result in favorable long-term changes in personnel and attitudes within the Iranian government. Further, once the exchange relationship has commenced, a dependency would be established on those who are providing the requisite resources, thus allowing the provider(s) to coercively influence near-term events. Such an outcome is consistent with our policy objectives and would present significant advantages for U.S. national interests. As described by the Prime Minister's emissary, the only requirement the Israelis have is an assurance that they will be allowed to purchase U.S. replenishments for the stocks that they sell to Iran. We have researched the legal problems of Israel's selling U.S. manufactured arms to Iran. Because of the requirement in U.S. law for recipients of U.S. arms to notify the U.S. government of transfers to third countries, I do not recommend that you agree with the specific details of the Israeli plan. However, there is another possibility. Some time ago Attorney

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Partially Declassified/Released on 24 July 1987

under provisions of E.O. 12356

by S. Regier, National Security Council

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General William French Smith determined that under an appropriate finding you could authorize the CIA to sell arms to countries outside of the provisions of the laws and reporting requirements for foreign military sales. The objectives of the Israeli plan could be met if the CIA, using an authorized agent as necessary, purchased arms from the Department of Defense under the Economy Act and then transferred them to Iran directly after receiving appropriate payment from Iran.

The Covert Action Finding attached at Tab A provides the latitude for the transactions indicated above to proceed. The Iranians have indicated an immediate requirement for 4,000 basic TOW weapons for use in the launchers they already hold.

The Israeli's are also sensitive to a strong U.S. desire to free our Beirut hostages and have insisted that the Iranians demonstrate both influence and good intent by an early release of the five Americans. Both sides have agreed that the hostages will be immediately released upon commencement of this action. Prime Minister Peres had his emissary pointedly note that they well understand our position on not making concessions to terrorists. They also point out, however, that terrorist groups, movements, and organizations are significantly easier to influence through governments than they are by direct approach. In that we have been unable to exercise any suasion over Hizballah during the course of nearly two years of kidnappings, this approach through the government of Iran may well be our only way to achieve the release of the Americans held in Beirut. It must again be noted that since this dialogue with the Iranians began in September, Reverend Weir has been released and there have been no Shia terrorist attacks against American or Israeli persons, property, or interests.

Therefore it is proposed that Israel make the necessary arrangements for the sale of 4000 TOW weapons to Iran. Sufficient funds to cover the sale would be transferred to an agent of the CIA. The CIA would then purchase the weapons from the Department of Defense and deliver the weapons to Iran through the agent. If all of the hostages are not released after the first shipment of 1000 weapons, further transfers would cease.

On the other hand, since hostage release is in some respects a byproduct of a larger effort to develop ties to potentially moderate forces in Iran, you may wish to redirect such transfers to other groups within the government at a later time.

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The Israelis have asked for our urgent response to this proposal so that they can plan accordingly. They note that conditions inside both Iran and Lebanon are highly volatile. The Israelis are cognizant that this entire operation will be terminated if the Iranians abandon their goal of moderating their government or allow further acts of terrorism. You have discussed the general outlines of the Israeli plan with Secretaries Shultz and Weinberger, Attorney General Meese and Director Casey. The Secretaries do not recommend you proceed with this plan. Attorney General Meese and Director Casey believe the short-term and long-term objectives of the plan warrant the policy risks involved and recommend you approve the attached Finding. Because of the extreme sensitivity of this project, it is recommended that you exercise your statutory prerogative to withhold notification of the Finding to the Congressional oversight committees until such time that you deem it to be appropriate.

RecommendationOK NO

RB — That you sign the attached Finding.
 HP

Prepared by:
 Oliver L. North

Attachment
 Tab A - Covert Action Finding

1000 17 Jan 86

Printout was briefed verbally from this paper.
 VP, Don Regan and Don Fortin were present.

HP

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